

Document of  
**The World Bank**

Report No: 23885-UG

PROJECT APPRAISAL DOCUMENT  
ON A  
PROPOSED CREDIT  
IN THE AMOUNT OF SDR 80.1 MILLION  
(US\$100 MILLION EQUIVALENT)  
TO THE  
REPUBLIC OF UGANDA  
FOR A  
NORTHERN UGANDA SOCIAL ACTION FUND

June 7, 2002

**Human Development 1  
Country Department 4  
Africa Regional Office**

## CURRENCY EQUIVALENTS

(Exchange Rate Effective May 24, 2002)

Currency Unit = Ugandan Shilling

Shilling 1 = US\$0.0005571

US\$1 = 1795 Shillings

FISCAL YEAR

July 1 -- June 30

## ABBREVIATIONS AND ACRONYMS

CAO	Chief Administrative Office	LACI	Loan Administration Change Initiative
CAP	Community Action Plan	LGDP	Local Government Development Program
CAS	Country Assistance Strategy	M&E	Monitoring and Evaluation
CDF	Comprehensive Development Framework	MTF	Multi-Sectoral Task Force
CDI	Community Development Initiative	NDTO	NUMU District technical Officer
CNA	Community Needs Assessment	NEMA	National Environment Management Authority
CRCM	Community Reconciliation and Conflict Management	NSC	National Steering Committee
CSO	Civil Society Organizations	NUMU	NUSAF Management Unit
DDP	District Development Plan	NURP II	Northern Uganda Reconstruction Program
DSC	District Steering Committee	NUSAF	Northern Uganda Social Action Fund
DTPC	District Technical Planning Committee	OED	Operations Evaluation Department
EMP	Environment Management Plan	OM	Operational Manual
FMH	Financial Management Handbook	OPM	Office of the Prime Minister
GOU	Government of Uganda	PEAP	Poverty Eradication Action Plan
ID	Institutional Development	PRA	Participatory Rural Appraisal
IDA	International Development Association	PRSC	Poverty Reduction Support Credit
IDP	Internally displaced persons	PRSP	Poverty Reduction Strategy Paper
IEC	Information, Education and Communication	STPC	Sub-county Technical Planning Committee
LA	Local Authorities	VGS	Vulnerable Group Support

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Sector Manager:	Dzingai B. Mutumbuka
Task Team Leader:	Norbert O. Mugwagwa

**UGANDA  
NORTHERN UGANDA SOCIAL ACTION FUND**

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MAP(S)  
IBRD 23506R

UGANDA  
Northern Uganda Social Action Fund

**Project Appraisal Document**

Africa Regional Office  
AFTH1

<b>Date:</b> June 7, 2002 <b>Country Manager/Director:</b> Judy M. O'Connor <b>Project ID:</b> P002952 <b>Lending Instrument:</b> Specific Investment Loan (SIL)	<b>Team Leader:</b> Norbert O. Mugwagwa <b>Sector Manager/Director:</b> Dzingai Mutumbuka <b>Sector(s):</b> SF - Social Funds <b>Theme(s):</b> Social Protection <b>Poverty Targeted Intervention:</b> Y
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<b>Project Financing Data</b>			
<input type="checkbox"/> Loan <input checked="" type="checkbox"/> Credit <input type="checkbox"/> Grant <input type="checkbox"/> Guarantee <input type="checkbox"/> Other:			
<b>For Loans/Credits/Others:</b>			
<b>Amount (US\$m):</b> \$100.00 (estimate)			
<b>Proposed Terms (IDA):</b> Standard Credit			
<b>Grace period (years):</b> 10		<b>Years to maturity:</b> 40	
<b>Commitment fee:</b> 0.5%		<b>Service charge:</b> 0.75%	
<b>Financing Plan (US\$m):</b>	<b>Source:</b>	<b>Local</b>	<b>Foreign</b>
BORROWER		13.30	0.00
IDA		98.20	1.80
LOCAL COMMUNITIES		20.20	0.00
<b>Total:</b>		<b>131.70</b>	<b>1.80</b>
<b>Total</b>			
<b>133.50</b>			

**Borrower:** GOVERNMENT OF UGANDA  
**Responsible agency:** TASK FORCE OFFICE OF THE PRIME MINISTER  
 Address: OFFICE OF THE PRIME MINISTER, P.O. BOX 341, KAMPALA  
 Contact Person: MR. TIMOTHY LUBANGA  
 Tel: 256-41-251031      Fax: 256-41-341139      Email: <opmcm@africaonline.co.ug>

<b>Estimated Disbursements ( Bank FY/US\$m):</b>							
FY	2002	2003	2004	2005	2006	2007	
<b>Annual</b>	1.50	11.40	19.60	28.50	28.40	10.60	
<b>Cumulative</b>	1.50	12.90	32.50	61.00	89.40	100.00	

**Project implementation period:** 5 years  
**Expected effectiveness date:** 09/30/2002    **Expected closing date:** 03/31/2008

## **A. Project Development Objective**

### **1. Project development objective: (see Annex 1)**

The Northern Uganda Social Action Fund (NUSAF) will empower communities in Northern Uganda (18 districts located in the north and east) by enhancing their capacity to systematically identify, prioritize, and plan for their needs and implement sustainable development initiatives that improve socio-economic services and opportunities. In so doing, NUSAF will contribute to improved livelihoods by placing money and its management in the hands of the communities.

The proposed project complements Government efforts to reduce poverty by targeting eighteen (18) districts in the five sub-regions in the North: Acholi (Gulu, Kitgum, and Pader), Karamoja (Kotido, Nakapiripirit, and Moroto), Lango (Apac and Lira), Teso (Kumi, Pallisa, Kaberamaido, Katakwi, and Soroti), and West Nile (Arua, Yumbe, Adjumani, Moyo, and Nebbi). In these five sub-regions constituting the North, development has been stifled by both local and international cross-border conflicts as well as inter and intra-tribal conflicts. It will assist Government in its efforts to tackle poverty and bring about development through participatory community efforts that utilise community value systems, which are particularly strong in the family, clan, and cattle-rearing culture found in Northern Uganda.

The proposed NUSAF, a part of the broader Second Northern Uganda Reconstruction Program (NURP II), will be part of Government's efforts to ensure that the North is able to catch-up with the rest of the country's development agenda and programs. NURP II is the broad umbrella investment program for Northern Uganda to which all donors contribute. It is managed by the Office of the Prime Minister. NUSAF as a project, through direct grants to communities, will: overcome underdevelopment through community action, leadership development and resource mobilization; strengthen the on-going reconciliation processes in the region; and make it possible for communities to articulate and prioritize their specific needs, and manage processes and outcomes, thereby enhancing good governance for peace and development. NUSAF will utilize processes which create an information-rich project environment that will encapsulate the entire project-related development experience, and build a dynamic knowledge base that will document and disseminate the development activities of all the concerned stakeholders. Improved transparency and accountability will be critical by-products of these processes, leading to better leadership at all levels, especially at the community level, and strengthening project quality.

### **2. Key performance indicators: (see Annex 1)**

A number of key performance indicators will be used to track the progress of NUSAF and updated on annual basis. Each of the components of NUSAF will have separate indicators (see logframe), but the ones listed are for the aggregated contributions made by each of the components.

#### **(a) Input Indicators**

- % of Communities contributing to sub-projects in line with agreed levels of contribution.
- No. of civil societies, Local Authorities, Sectors, and other key stakeholders participating in decision-making processes at all levels, as recorded in minutes of meetings and supervision mission reports;
- No. of communities that can manage sub-projects, account for money, make decisions, and maintain community assets.
- No. of technical staff working in an autonomous NUSAF Management Unit as well as at district level in the North.

**(b) Output Indicators**

- No. of communities trained to identify, prioritize, implement, and manage interventions; as well as maintain assets created under the project;
- No. of socio-economic infrastructure facilities initiated, completed and documented by target groups (rehabilitated or constructed) without cost over-runs;
- No. of persons reached through IEC interventions per sub-region (disaggregated by gender and rural/urban split);
- No. of existing institutions, traditional leaders, and community structures oriented to participate in peace-building;
- No. of organizations supported and working with Vulnerable Groups.
- No. of Districts fully compliant with delivery benchmarks on direct channeling of NUSAF funds to sub-project implementors.

**(c) Outcome indicators**

- % of population reached by NUSAF through improved socio-economic infrastructure;
- % of beneficiaries satisfied with community-level projects as reported in Beneficiary Assessments.;
- No. of women benefitting from project activities.

**(d) Impact indicator**

- % improvement in the Human Development Index (HDI) in the region;
- % increase in government spending for social sectors aligned with NUSAF activities;
- % changes in health status and school enrollments in participating communities.

**B. Strategic Context**

**1. Sector-related Country Assistance Strategy (CAS) goal supported by the project:** (see Annex 1)  
**Document number:** IDA/R2000-187 (IFC/R2000-202) **Date of latest CAS discussion:** 11/16/2000

The principal CAS goal supported by the proposed project is the 'reduction of poverty and regional disparity through targeted investments undertaken in a participatory, equitable and sustainable manner to promote peace and directly increase the ability of the poor to raise incomes'. The design of NUSAF is guided by the CAS and PRSP goals and will directly contribute to meeting the various basic social and economic benchmarks outlined in the CAS.

The Bank's principal goal is to help Government reduce poverty through increased growth and ensure the equitable distribution of the benefits of this growth. The CAS observes that the relatively poor districts in Northern and Eastern Uganda have not benefited sufficiently from economic growth and reforms. To this end, the Bank's program of support under CAS will concentrate on areas covered by the PEAP/PRSP (discussed by the Board September 2000) and whose goals are to: (i) create an enabling environment for economic growth and structural transformation, (ii) ensure good governance and security, (iii) directly increase the ability of the poor to raise incomes, and (iv) directly increase the quality of life of the poor. The CAS proposes a strategy of targeting the relatively poor eighteen districts in the North and the East. From lessons learnt from NURP I, and particularly its community-based component (the CAP West Nile), NUSAF will complement existing Bank activities and those of other donors working in the North by directly increasing the ability of the poor to overcome poverty and enhance their quality of life. NURP I was funded by the Bank as a rehabilitation emergency project for the Northern districts covered by NUSAF. Whereas it successfully built socio-economic infrastructure such as roads and schools, its highly centralized management structure was criticized for failing to adequately respond to community priorities.

## **2. Main sector issues and Government strategy:**

The 2001 Uganda Poverty Status Report (UPSR) indicates that about 35% of the population still lives below the poverty line, and the average per capita income in Uganda is only now approaching the level achieved in 1970. The report also acknowledges that in spite of a clear and impressive decline in poverty (headcount index) of over 20% over the five-year period from 1992 to 1997, significant regional disparities in poverty persist. The Northern region has the highest incidence of poverty at 66%, compared to the Central region's rate of 20%. UNDP's Human Development Report (HDR) 2000 shows that though the human development index (HDI) has shown significant improvement for Uganda and now stands at 0.508 nationally, the rates for the Northern (at 0.418) and Eastern (at 0.480) regions are still below the national average (Central is 0.559 and Western is 0.479). The report further indicates that of the bottom ten (10) districts with the worst indicators, nine (9) districts are found in the Northern region -- the project area.

The historical imbalances in the development of the North have led to increased poverty and conflict - which is both politically motivated and tied to livelihood insecurity of the communities. The community needs assessment (CNA) carried out as part of preparation work findings noted that among the majority of the communities interviewed, feelings of exclusion, weak local participation and leadership have both fuelled the conflict and slowed down development interventions aimed at reducing poverty and improving living standards.

One of the most powerful entry points to addressing poverty is through the restoration and transformation of 'social capital' to meet and improve community participation in food production and security thereby developing community safety nets. Peace building initiatives by the traditional leaders supported by civic organizations constitute the linch-pin for survival in the insecure areas by enhancing integration and social cohesion among the displaced and vulnerable. The organizational integrity of these institutions enables them to influence local government structures to deliver services to the needy and to promote positive synergies between the state and civil society in support of the poor.

Results from participatory poverty assessments over the past three years indicate that in addition to material or income poverty, there are significant non-economic dimensions to poverty that need to be addressed. Specifically, the poor in Uganda are concerned with the lack of access to basic services (health care, education, safe water) where 26% of the population does not have access to health services (rate is the highest in Northern Region at 35% compared to 30% and 20% from the Western and Central regions respectively). The poor are also concerned about insecurity (in terms of the presence of rebel activity, cattle raiding and theft) which, according to the UPSR 2001, is "the single reason why poverty has persisted and increased in some parts of the country.... It (insecurity) has left behind dysfunctional family life systems that have suffered declines in economic productivity, and increased ill-health". Insecurity in the Northern Region has become both a cause and consequence of poverty.

In education, despite national efforts to improve quality and access to education through UPE, inequalities still persist, and the north remains the most disadvantaged. While nationally enrollment levels between boys and girls are not very different, enrollment of girls in the north remains very poor. The north also has the biggest proportion of children who have never been to school. The literacy rate for the north is very low with the literacy rate as low as 12% for Moroto and Kotido, compared to the national average of 58%.

Until recently, the centralized nature of government service delivery has hindered increased access to and utilization of public services. Decentralization is at the core of the 1995 Constitution and the Local Government Act of 1997 was passed in order to bring services closer to the beneficiary communities.

Amendments made in 2000 have elements which provide for deepening the decentralization process to enhance community participation, and Government has adopted the Bank-supported LGDP as its framework to drive decentralization and deepen community empowerment. The LGDP has been piloting a capacity-building initiative in a number of districts in the country, and some of these districts are in the North. Difficulties faced by sectors in the full decentralization of services and the inadequate mobilization of communities to participate in service delivery have provided an added justification for a Social Fund with its Community Demand-Driven Development strategy. The Government is pursuing a participatory approach that is advocating the active involvement of beneficiaries, NGOs and the private sector. NUSAF is being designed at a time when it can facilitate decentralization and allow for an implementation process that will empower the poor to act within the framework of the Local Government Act.

In order to address social development issues, a draft Social Development Sector Strategic Investment Plan focusing on the disadvantaged groups is under preparation by a Working Group led by the Ministry of Gender, Labour and Social Development. In the North, the often marginalised or completely excluded from the benefits of development and particularly vulnerable to exploitation and income shocks include the children and youth, orphans, women, people with disabilities, etc. In response to the prevailing situation in the North, the proposed project will complement Government development strategies by support sustainable social, cultural and economic growth by:

- strengthening community participation, leadership development and resource mobilization;
- improving quality and access to social services;
- supporting community reconciliation and conflict management;
- providing and facilitating support to vulnerable groups, especially the youth affected by conflict; and
- enhancing implementation capacities of the local authorities, CSOs, communities, and the private sector.

### **3. Sector issues to be addressed by the project and strategic choices:**

The proposed NUSAF will operate within community value systems and therefore contribute to good governance and security particularly at the local government and community levels. Support will be provided to children/youth formerly abducted during the civil wars, those who have surrendered and returned guns in exchange for a changed livelihood (abductees and gun-drop outs), and those whose careers have been disrupted as a result of the prolonged conflict and breakdown of traditional systems. Vulnerable Group Support (VGS) will also benefit women-headed households, orphans, widows/widowers, the very poor, and others affected by conflict.

Interventions that focus primarily on strengthening institutions will be complemented with innovative approaches that focus on stimulating community demand and farmer response such as PMA, NAADs, and NUSAF as a way of helping individual households attain levels of development over and above subsistence living. The proposed NUSAF will provide for the empowerment of individuals and communities through their active participation in all stages of the sub-project cycle, from identification through implementation and monitoring in the CDI, VGS and PBCM components. In this way, the poor will be putting forward their priority developmental needs and suggesting ways to satisfy those needs through the identified sub projects that will be managed by the communities themselves. The main features of NUSAF specifically addressing sectoral issues are:-

- Within the new Health Policy and Health Sector Strategic Plan (2000/01 – 2005/6), emphasis is on rehabilitation and improvement of existing services, providing new facilities in underserved

populations, social mobilization for community empowerment, participation in the management, and monitoring of health services. These are done through the Local Authorities, and NUSAF will operate within the same.

- The national education goal is to make quality education available by involving communities in identifying the education needs of their own children and of other disadvantaged groups such as orphans, ex-abductees and returnees, the disabled, etc. Under the School Facility Grant (SFG), community ownership and increased roles in planning for education are emphasized; and NUSAF will support the rehabilitation and construction of new classrooms and teachers' houses.
- In the water supply and sanitation (WSS) sector, NUSAF will contribute to the sector by promoting and popularizing community demand-driven approaches to WSS planning and management - to cover spring water protection, borehole drilling, hand-pumps installation and maintenance, public latrines construction, etc. in rural areas, small urban centres, and various community-owned facilities..
- For infrastructure, NUSAF will facilitate the opening and rehabilitation of both community and peri-urban roads at the request of communities. NGOs, CSOs, private contractors and lower government units would provide technical services to requesting communities. The project proposes that, through direct contracting, communities would obtain the services of any one of the agencies to design, train, construct and maintain the roads, bridges, pavements, etc. under the general technical guidance of the local authority district engineer.
- Several other activities like the National Agricultural Advisory Services (NAADS), Program for the Modernization of Agriculture (PMA), and the HIV/AIDS project will be complemented by NUSAF. Such economic activities as community granaries or stores, rural markets, valley tanks, cattle drinking troughs, community dips, woodlots and natural trees will be supported to improve rural life.

In the context of decentralization, communities will be empowered to enhance effective participation through capacity building activities in LAs, CSOs/NGOs, CBOs, private sector and community groups. NUSAF will strengthen communities to cope with the prevailing post-conflict situation; and increase accountability, transparency and responsiveness through direct community funding. It will assist districts to harmonize development plans prepared through the community demand-driven process within multi-sector plans; and thus deepen decentralization to the lower levels of government - the sub-county, parish and village by:

- (i) strengthening community participation and resource mobilization for social and economic development at the village, parish and sub-county levels;
- (ii) accelerating community investment in basic social and economic infrastructure to improve social service delivery in a gender-sensitive manner;
- (iii) facilitating linkages of the vulnerable groups to agencies with stronger comparative advantage but still supportive of activities directly implemented by communities;
- (iv) facilitating community peace-building and conflict management, both of which are on-going and considered critical for effective and sustainable community participation; and
- (v) enhancing the implementation capacities of the local authorities, CSOs/NGOs/CBOs and the private sector working directly with communities.

## **C. Project Description Summary**

**1. Project components** (see Annex 2 for a detailed description and Annex 3 for a detailed cost breakdown):

### **(1) Community Development Initiatives [CDI]--Total US\$97.2 million (IDA US\$ 68.5 million)**

The CDI component would finance demand-driven community-based initiatives to construct and rehabilitate small-scale socio-economic infrastructure guided by a sub-project menu that conforms to the specific sector policies. Through open-ended facilitation, communities would be able to participate in identifying and prioritizing their needs, followed by planning, implementing and managing sub-projects through Local Authorities (LAs), CSOs, NGOs and private individuals and agencies whom they will directly contract. If not found acceptable within the Social Fund menu, communities will be linked to other relevant existing programs so that their development needs can still be met. The choice of sub-project menu will include inter alia: construction, rehabilitation or provision of the basic social fund activities in health, education, water, afforestation, terracing and other modes of soil conservations, village roads and bridges, community centers, community cultural activities, food processing technologies and other appropriate technologies, energy efficiency technologies, and training. Local environmental assessment will be done for all subprojects as one step in the sub-project cycle, as provided for in the Environmental and Social Management Plan. Community contributions would be at least 20% of sub-project costs. A negative list would include micro-credit and any project involving involuntary resettlement. In addition, NUSAF would not fund sub-projects that are above US\$ 20,000 except when those sub-projects are approved by the LAs and endorsed by the NSC at the recommendation of the NUMU, subject to an absolute cap of US\$ 50,000 per sub-project. It is estimated that about 30% of population (2.5 million people) of the North will be reached by the component within 5 years in the 18 districts covered by NUSAF.

### **(2) Vulnerable Groups Support Sub-Projects [VGS]-- Total US\$22.3 million (IDA US\$ 20.0 million)**

This component would provide support to vulnerable groups; LAs, CSOs/NGOs/CBOs, and institutions that directly work with these groups. The vulnerable include inter alia: the internally displaced persons (IDPs), children who have been abducted by various armies (ex-abductees); youth who have given up guns for peaceful livelihood alternatives (gundropouts), youth whose lives have been disrupted by the long civil strife, the aged, female headed households, HIV/AIDS affected and people living with HIV/AIDS, orphans and foster parents, the destitute and the disabled. Through a participatory process, vulnerable groups in the region will be identified and supported to develop interventions that contribute to improvements in their livelihood. Activities under this component would include rehabilitation and expansion of training facilities to provide vocational skills; sponsorships for youths to undergo vocational/life skills training (masonry, carpentry, tailoring, blacksmiths, welding, etc.), provision of tool-kits upon their graduation to work on sub-projects, financing new and ongoing income generating activities, and provision of support services to female headed households and other disadvantaged groups. It will enhance capacities of the private sector and CSOs in mainstreaming the VGSs into national development program. On their part, vulnerable groups would make a contribution of at least 5% of sub-projects costs.

### **(3) Community Reconciliation and Conflict Management Component [CRCM]--Total US\$ 2.8 million (IDA US\$ 2.5 million)**

The component would provide support to traditional and non-traditional approaches to peace building and conflict management. Traditional approaches include holding reconciliation meetings and/or negotiations between clans and/or tribes; supporting inter-tribal dialogue including visits to other districts; cleansing of reporters and returnees, and counselling and provision of psycho-social support to returnees, ex-abductees, gun-drop-outs, and the receiving communities. Non-traditional methods, which include PRAs to enhance community dialogue and facilitate 'social capital' resuscitation, would be promoted by LAs, NGOs and CSOs operating at all levels. These approaches will (a) build strong ties (integration) within and between war-torn societies that are needed to cope with transitional shocks and thereby regenerate community safety nets; (b) facilitate intra- and inter-clans and tribal linkages needed within and among the sub-regions; (c) develop synergies with formal and national institutions needed to build trust and confidence in improving State-LAs-community relations, and ensure enhanced inclusiveness in the planning and management of development activities. CRCM activities will be primarily concentrated in the three sub-regions of Karamoja, Acholi and West Nile, and each community would contribute at least 5% of the activity costs.

#### **(4) Institutional Development component--Total US\$11.2 (IDA US\$ 9.0m) million**

This component will support the staffing of a small autonomous NUSAF Management Unit (NUMU), capacity building and training, IEC and M&E/MIS for different sets of stakeholders.

NUSAF Management Unit (NUMU): Headed by an Executive Director (ED) who will be selected competitively, NUMU will be established and preferably located in a suitable town in the North to oversee the implementation of project activities. The ED would be supported by contracted technical directors responsible for the CDI, VGS and CRCM and Finance and Administration, as well as experts in IEC, Monitoring and Evaluation, Management Information System, procurement, infrastructure, internal audit and administration. There will be a designated person coordinating the framework for environmental assessment and safeguards issues as outlined in the ESMP and the Operational Manual. NUMU will also have a small presence in the Office of the Prime Minister in Kampala to maintain contact with various national-level agencies and the NUSAF National Steering Committee comprising of government, civil society, and private sector representatives. There will also be district-level staff (Technical Officer and Accounts Assistant) technically responsible to NUMU and administratively under the CAO, to facilitate interaction between Community Project Management Committees (CPMCs) and district-level sectoral officers during project preparation, appraisal, and implementation. The multi-sectoral District Technical Planning Committee (DTPC) and Sub-County Technical Planning Committee (STPC), which are already in place, will be facilitated to provide appropriate integration and coordination of NUSAF activities into the workings of Local Government and technical agencies representing sectoral line ministries, as well as to define the role of NGOs and CSOs .

The capacity building and training initiatives will be articulated through workshops and seminars, as appropriate, and will focus on familiarizing the concerned stakeholders with the philosophy, principles, and methodology of the project. Technical capacity to implement the project would include basic book-keeping and accountancy skills, inclusive planning, management and administration of participatory development at all levels, as well as basic skills in assessing local environmental effects of subprojects.

IEC initiatives will seek to inform and educate the concerned stakeholders on the objectives, processes and activities of the project and the roles of the different actors as well as to obtain and transmit from the stakeholders their views and responses to project needs. This initiative will also contribute to the formation of sustainable alliances and partnerships between communities, CSOs, NGOs and government officials by clearly articulating the roles and responsibilities of the different actors concerned. Media appropriate to Northern Uganda will be identified and used and these will include radio, drama and song and print.

Information needs assessments, message development and impact evaluations will also be financed. The initiative will foster community empowerment, transparency and accountability.

Effective Monitoring and Evaluation (M&E) arrangements will be integral to project design and implementation through a community-based M&E. The M&E will require appropriate monitoring indicators, and a Management Information System (MIS) will be designed and implemented to assist in tracking the progress of the project, including cumulative environmental effects, at district and national levels.

Poverty monitoring and analysis within the national systems used by the Uganda Bureau of Statistics (UBOS) through its frequent household surveys will be undertaken. Some gaps (such as lack of data at district level, and inadequate information on vulnerability and conflict) have been identified, which NUSAF will address within the existing UBOS survey instruments. Mid-term and end-of-project surveys and analysis will also be undertaken to assess the project's effectiveness in reaching the target communities and households (see Annex 2 and Project Operational Manual).

Component	Sector	Indicative Costs (US\$M)	% of Total	Bank-financing (US\$M)	% of Bank-financing
Community Development Initiatives		97.20	72.8	68.50	68.5
Vulnerable Group Support		22.30	16.7	20.00	20.0
Community Reconciliation and Conflict Management		2.80	2.1	2.50	2.5
Institutional Development		11.20	8.4	9.00	9.0
<b>Total Project Costs</b>		133.50	100.0	100.00	100.0
<b>Total Financing Required</b>		133.50	100.0	100.00	100.0

## 2. Key policy and institutional reforms supported by the project:

As the proposed project focuses on poverty reduction and the improvement of peace, basic social and economic infrastructure and service delivery, it is considered part of the Bank's core lending program. Reforms in support of the program are being developed and agreed with GOU in the context of the PRSC II matrix. The PRSC II is due to be presented to the Board at the same time as NUSAF. Benchmarks and targets relating to macro-economic reform, fiscal performance and social sector resource allocation are provided in the Government MTEF and are acceptable to the Bank. The NUSAF sub-project cycle processing and flow of funds will uphold a three-way institutional linkage that recognizes the traditional roles of (a) the local authorities (district and sub-county councils) in - decision making and approval with regard to sub-projects, their inclusion in the district plans and resources allocated; (b) technical committees (district and sub-county) for appraising and ensuring technical compliance with sectoral norms and standards, including environmental assessment; and (c) communities, CPMCs, CSOs, NGOs and private sector as originators and processors of sub-project proposals.

At the district level, in order to assist the local authorities manage community-driven development more efficiently, performance benchmarks will be set in the key areas of the sub-project cycle. The LAs would progressively be allocated more NUSAF funds based on their attainment of performance benchmarks against a schedule of community sub-project requests per the sub-project cycle, i.e. length of community facilitation, appraisal, approval, release of funds to the CPMC, implementation, frequency of supervision, reporting and monitoring, and completion time. Final benchmarks will be agreed upon between NUSAF and Districts based on findings during the "trail-blazing" phase, to ensure that local experiences are

incorporated in the setting of realistic targets.

### **3. Benefits and target population:**

NUSAF will support activities identified by communities which might not only meet community needs, but also increase employment opportunities for poor households and vulnerable groups in both rural and urban areas. Increased cash income earning opportunities for the poor and vulnerable groups would lead to improved living standards for these groups. This would substantially lead to the alleviation of conflict particularly from the redundant and unemployed youth in the sub-region. Because the project menu concentrates on the provision of primary services, the project will benefit needier, rural and poorer communities. Approximately 30% of the population (2.5 million people) would be covered by NUSAF.

NUSAF, using available district level indicators has, in addition to per capita resource allocation, incorporated poverty and service accessibility information, as well as other pertinent indicators such as vulnerability and conflict indicators to allocate resources to districts (see Annex 4 and Project's Operational Manual). This exercise should also serve as a monitoring mechanism by assessing if districts have met their targets and if not, how to stimulate demand within those districts where community take-up is slow (through a more intensive IEC and PRA efforts). Further information on vulnerability would be obtained from the on-going World Food Program's vulnerability mapping.

### **4. Institutional and implementation arrangements:**

**National Level:** The institutional arrangements for NUSAF were finalized during negotiations and uphold the principles of community-driven development to improve the livelihoods of the poor by directly funding their priorities. NUSAF's main focus will be reaching the communities and empowering them to demand quality services from the sub-county, district and national levels. NUSAF falls within the broad Second Northern Uganda Reconstruction Program (NURP II) under the policy guidance of the Minister of State for Northern Uganda Rehabilitation in the Office of the Prime Minister (OPM) through a NURP II Policy Committee (NPC). A NUSAF National Steering Committee (NSC) will be appointed by the Prime Minister, to oversee the technical supervision of a semi-autonomous NUSAF Management Unit (NUMU), and would comprise of the Permanent Secretary to OPM as Chairperson and NUSAF Executive Director as Secretary, representatives of government, civil society and the private sector. It will provide overall management guidance to the project, coordinate sector linkages, approve NUSAF budget, annual workplans and sub-projects above the threshold, monitor, and evaluate overall project implementation and impact.

NUMU will ensure that NUSAF operates according to the Operational Manual (OM); initiate promotion activities for NUSAF in the North; assist district level staff; manage project performance including implementation and financial management of operations; provide technical supervision of sub-projects; monitor cumulative environmental effects and safeguards issues; build capacity at district and community levels and prepare and submit quarterly and annual reports. Those districts that already have the core capacities and competencies would indicate where they need relevant assistance from NUSAF either to meet community delivery benchmarks or perform beyond the project life.

Monitoring and evaluation of NUSAF activities would be carried out within the national level poverty monitoring and analysis systems in use by the Uganda Bureau of Statistics (UBOS) through its frequent household surveys. NUSAF proposes to undertake complimentary surveys within the existing survey instruments to address some gaps and to provide baseline and end-of-project information, while a beneficiary assessment would be used to provide information at mid-term.

**District Level:** A multi-sectoral Technical Planning Committee (TPC) exists both at the District (DTPC) and Sub-County levels (STPC). There is also a Parish Development Committee (PDC) at LC II level. In line with their existing mandates, these technical committees will provide appropriate support to ensure that NUSAF activities are: appropriately appraised, approved and integrated into the budgets and work programs of the respective local governments and technical agencies representing sectoral line ministries; and that the appropriate environmental checklists are used for each sub-project and mitigation measures are adequately costed and implemented in the sub-project. The CAO, Sub-County Chief (SCC) and Parish Chief (PC) chair the committee meetings at the district, sub-county and parish levels respectively. They or their selected representatives will facilitate the incorporation of the NUSAF funds into the budget; provide, where possible, LA contributions to the community action plans; and forge effective linkages and ensure synergies between NUSAF and existing programs, using the institutional arrangements existing at the village, parish, sub-county, and district levels. The role of NGOs and CSOs will also be mediated through the DTPC as reflected in the Local Government Acts 2000. District staff would ensure that the IEC materials are appropriate and relevant to the local audience. District Environmental officers will ensure environmental assessment procedures detailed in the ESMP and OM are followed for all sub-project, and will determine any particular environmental problems to be aware of in the district, as well as suggest suitable mitigation measures if not covered in the checklists in the OM and handbooks. They will also monitor cumulative effects on the environment and alert NUMU if any safeguard issues come up. Capacity building would also be undertaken for NUSAF staff as well as regional and district agencies in the use of procedures, systems and criteria for supporting community-demand driven projects.

The District Council, through the District Executive Committee (DEC), retains the authority to approve annual plans and budgets, and receive sub-projects performance monitoring reports routinely submitted by the DTPC.

**Community Level:** A community is "need" defined and may include a number of households, villages, a parish or a sub-county. The key principle is that the "need" is identified and prioritized in a participatory manner and the community must be willing to contribute 5 to 20% of the total project costs in kind (time, labour, materials, etc.) or cash to the sub-project activities. Initially, the communities are mobilized by the existing local government (parish, sub-county and district) councils/development committees, and social institutions (clan leaders, chiefs, etc.) with or without the support of the community facilitators who can be individuals, CBOs or extension workers such as the community development assistants. Since communities know their environmental problems better than most outsiders, they will be assessing how these can be mitigated in or by sub-projects. At the project level, the critical institution will be a Community Project Management Committee (CPMC), which will be constituted from stakeholders and with a minimum of 30% women. This CPMC will have the leadership role during project design, appraisal, implementation, and monitoring. The CPMC will open project accounts and receive, disburse and account for resources raised by communities and allocated by NUSAF to the project.

The wide range of procedures and processes necessary for the effective implementation of NUSAF is articulated in the OM supported by a number of subject specific handbooks. The manuals will contain detailed checklists for local environmental assessment and mitigation measures. These manuals will be developed and tested during a pilot phase to be funded through a Project Preparation Facility (PPF). Relevant Manuals will be translated and/or simplified for district audience and CPMCs.

**Financial Management:** Issues relating to country specific public sector accounting and reporting have been documented in the Country Financial Accountability Assessment (CFAA) carried out by IDA in collaboration with the GoU, which indicates that inadequate financial accounting and auditing systems both at the center and in the districts pose a major fiduciary risk. With the support of a number of donor assisted

initiatives, Government is seeking to rapidly enhance the financial accountability framework.

The key risks that the project may face in meeting its financial management objectives relate to staff adequacy, the usage and approval of project funds, reliability of financial information, sufficiency of counterpart funds, ignorance of procedures and organizational rules, delivery of resources to communities and their structures, and the identification of community needs. In mitigation of these, NUMU will: establish a strong internal control system; provide for technical support to project committees and retain the option of contracting out accounting and internal audit services; establish clear guidelines for the approval of sub-projects and ensure that sub-projects above a certain threshold will require central approval. Sub-project accountability guidelines will also be issued. In addition: the National Steering Committee will provide overall policy guidance in the usage and stewardship of project funds and beneficiary communities will be involved in the monitoring process; internal and external verification of expenditures will be carried out; performance benchmarks for the speed of transfers will be established; funds will be transferred directly from NUMU to implementing agencies where the risk necessitates this; participatory planning approaches will be used in developing sub-projects and NUMU will provide for support to district planning functions.

The disbursement of the IDA Credit to the project will be done quarterly based on Financial Monitoring Reports (FMRs). The project will disburse funds from its bank accounts either to: the District Councils for Multi-Community projects whose implementation will be the responsibility of the District or for CPMCs once the agreed benchmarks have been met; CSOs including NGOs/CBOs for projects targeted at vulnerable groups and CRCM; or directly to Community Project Management Committees (CPMCs) before the districts take over the disbursement function. The GOU will provide counterpart funds amounting to 10% of the total project costs. Communities will be expected to contribute between 5% and 20% to the sub-projects funded under NUSAF.

The project's Internal Audit Department will conduct ongoing monitoring of internal control system in support of the internal audit processes for communities and local governments. The Auditor General will be responsible for the external audit of the project and the relevant local government accounts. The cost of the audit will be financed from the IDA Credit. The project's audited financial statements will be submitted to IDA within six months after end of each financial year.

A plan of action will be undertaken by the project to establish a strong financial management system. The action plan should be fully completed by December 31, 2002. However, the project will have the following by Credit Effectiveness: a Financial Management Handbook; suitably qualified and competent key staff ; a reporting structure for both internal management and external needs with agreed formats; a Chart of Accounts; and suitable monitoring arrangements

The project will computerize its accounting system by October 31, 2002 and develop a training program for the accounting staff in NUMU, districts and other implementing entities by 31 December 2002. Audit Terms of Reference will also be prepared by the same date. Details of the project's financial management arrangements are set out in annex 5 to the PAD.

## **D. Project Rationale**

### **1. Project alternatives considered and reasons for rejection:**

The choice for alternatives were informed by a comprehensive consultative process characterised by the following activities:

- Outcome of consultations between the OPM (led by the Minister for the North and Principal Secretary for OPM) and the Bank (led by the CD and the TTL) in February 2000, lessons learnt from NURP I, based on the ICR report and OED audit report of May 11, 2000.
- A Government's draft concept paper prepared in July 2000,
- Concept Development Consultative Workshops held in Soroti with a broad array of district level stakeholders in November 2000 and May 2001 (see Workshop Proceedings).
- Best practices and findings from similar social funds in Uganda (e.g. CAP West Nile, DDP, EDF and NGOs activities).

The NURP I approach (an alternative to a social fund approach) which works through line ministries with a centrally managed unit was rejected by both Government and beneficiary representatives during the concept workshop held in Soroti in October 2000. The challenges of the North are multi-sectoral and therefore difficult to be managed by a single sector ministry. Besides, experience from NURP I has shown that line ministries are less responsive to bottom-up approaches because of the top-down centralized bureaucratic approach of the public sector. The OED report also acknowledged that the centrally managed NURP I was unable to provide close follow-up of sub-projects.

Funding through a SWAP was also rejected for its supply-driven approach, lack of a champion for demand-driven development, and inability to reconcile the needs of central ministries with those of communities.

International experiences have also informed the choices and provided reasons for rejecting alternatives during the initial discussions with Government and stakeholders. What has emerged as best practice in Uganda and supported elsewhere include the following:

- (i) The need for an autonomous or semi-autonomous implementation unit to provide flexibility in responses to diverse community demands which are beyond LA's mandates and to manage expectations of LAs and communities, particularly the vulnerable groups;
- (ii) There is demand for high quality technical support to project committees, suggesting the need for closer follow-up and backstopping to these levels;
- (iii) There is need for participatory skills in facilitation at the community levels, to build capacities and to align community needs with available support;
- (iv) Direct funding of community project committees improves accountability, transparency, and capacity development in grass-roots institutions.

The current decentralization framework, the LGDP/DDP promoted by Government, is relevant to the work of NUSAF. However, this framework presupposes that local planning approaches are inclusive, but in many cases in Northern Uganda the currently established planning processes and mechanisms do not work effectively at the lower level to ensure this. NUSAF is complementary to LGDP, emphasizing a bottom-up planning process, use of participatory methodologies to enable the poor to express their needs and direct community financing in an inclusive and pro-poor-oriented manner. Thus, collaboration with LGDP was adopted instead of immediate integration until such time as Districts have adopted Social Funds principles in their dealings with communities and their representatives.

On this basis, the Government strongly emphasizes the need for quick action in the North to support communities, whose expectations have been raised and left unmet over the years. There is also strong emphasis on the appropriate targeting of beneficiaries, accountability, transparency and a demand-driven approach that builds on action-research-action and which will allow communities to pro-actively identify their priorities. NUSAF is therefore seen as a strategy which "provides an opportunity for the community

in Northern Uganda to take charge of their social and economic development process, thereby nurturing a sense of self-esteem and self importance while lessening the feeling of powerlessness and dependency" (Uganda Participatory Poverty Assessment Project (UPPAP) Report, 2000).

**2. Major related projects financed by the Bank and/or other development agencies (completed, ongoing and planned).**

Sector Issue	Project	Latest Supervision (PSR) Ratings (Bank-financed projects only)	
		Implementation Progress (IP)	Development Objective (DO)
<b>Bank-financed</b>			
NECDP-Nutrition and Early Childhood Development Project (FY98)	UG-PE-P046870	S	S
HIV/AIDS Control Project (FY00/01)	UG-PE-P044679	S	S
NAADS-National Agricultural Advisory Services Project (FY00/01)	UG-PE-P050438	S	S
LGDP--Local Government Development Project (FY00)	UG-PE-P002941	S	S
Uganda Poverty Reduction Support Credit I (FY01)	UG-PE-P050439	S	S
Lake Victoria Environment (FY97)	UG-PE-P046836	S	S
Agricultural Research & Training Project (FY99)	UG-PE-P002970	S	S
<b>Other development agencies</b>			
ADF	NW Small Holders Agric. Project--West Nile Sub-region Acholil and Program		
EU	Karamoja Development Project		
EU	Conflict Prevention, Mitigation and Response through Capacity Building and Social Service Delivery		
UNICEF			
USAID	Humanitarian Assistance, Food Security and Psycho-social and Reintegration of Child Soldiers		
UNDP	Peace Building Support		
ICRC	Livelihood Support Project		
The Netherlands	District Development Programs		
Denmark	Feeder Roads Rehabilitation and Support to NGOs for Abducted Children		
United Kingdom	Peace Building and Capacity Building		
Italian Government	Support to Sudanese Refugees and Internally Displaced Persons		

IP/DO Ratings: HS (Highly Satisfactory), S (Satisfactory), U (Unsatisfactory), HU (Highly Unsatisfactory)

### **3. Lessons learned and reflected in the project design:**

Social funds and decentralized community-based activities are not completely new in Uganda. A number of other small-scale social action funds are being implemented by NGOs in the country. Since the NUSAF operation is largely in a post-conflict situation, there are lessons to be learnt from several programs and projects. The CAP West Nile (1992 to 1999), WEP West Nile (1996 to 1999), the DDP (1998 to-date) in Arua and Kotido districts in the North, and EDF micro-project in the West Nile region are among the projects with useful lessons for NUSAF.

Central management of project activities emerged as one of the challenges of the DDP. The strong "institutional focus" and reliance solely on the public sector that characterized the approach led to delays in financial transfers, accountability and delivery of needed services. Accountability was housed within the local government system, which lacked the capacity and personnel to undertake these responsibilities. The poor revenue base at the district level impeded the implementation of the project since public servants at the lower levels experienced delays in salary payment for a long time. Poor local revenue collection also affected sub-county and district contributions for co-financing as required by the project. These problems seem to have been overcome in the CAP West Nile, where there was autonomy in the management system and where funds were disbursed directly to the communities. Under the CAP West Nile, some of the challenges reported include delay in implementation as a result of poor technical support from line ministries to the community; hence the need for elaborate NUSAF district structures. Another pertinent challenge that reflects the post-war situation is how to overcome delays in the implementation of projects through strict adherence to agreements, closer supervision by program officers, and incentives to communities that adhere to planned project delivery times.

Social funds emerged in the 1980s in response to emergency situations - natural or man-made disasters, external shocks, deep structural changes in the economy, or sometimes a combination of these. A recent review of sixteen IDA funded social funds, nineteen public works and employment operations. Numerous ICRs, studies and evaluations are available from various Bank units, sector networks and the OED, and experience from other operations has been used during the design of the proposed project. The main lessons learned from successful operations in Uganda and internationally (Malawi, Tanzania, Zambia, Sierra Leone, Rwanda, etc.) are reflected in the proposed project design:-

- (a) Start with a pilot phase to test and finalize operating procedures;
- (b) Respond to demand and systematically involve clients/stakeholders;
- (c) Mobilize local resources and continue to build local capacity;
- (d) Set clear targets for capacity building and achievements in socio-economic infrastructure construction;
- (e) Use a technically sound implementation unit to coordinate across sectors; and
- (f) Promote autonomy, transparency and accountability at district and community levels.

### **4. Indications of borrower commitment and ownership:**

The Government through OPM has taken the initiative and full ownership of project preparation by establishing a multi-sectoral Task Force (MTF), whose membership is drawn from NGOs working in the North and Ministries of Gender, Community Development and Labour (MoGCL); Education and Sports (MoES); Health (MOH); Water, Lands and Environment (MOWLE); Local Government (MoLG); Finance and Economic Development (MoFED); Agriculture, Animals Industries and Fisheries (MAAIF); Works and Communications (MoWC); and the National Environmental Management Authority (NEMA). This institutional set-up to prepare the project has recorded the following achievements:-

- Policy dialogue on the need and potential for establishing a social fund was carried out at the highest levels of Government, and later endorsed by the district representatives during two government workshops in October 2000 and May 2001.
- A draft concept paper providing background information and project rationale for the Government's request was prepared through several working groups that include sector specialists, donor and NGO/CSO representatives in detailing out each of the three components.
- The Office of the Prime Minister (OPM), in consultation with an Advisory Group made up of the Economic Policy Research Center (EPRC), the Uganda Bureau of Statistics (UBOS), the Poverty Monitoring and Analysis Unit (PMAU) at the Ministry of Finance, Planning and Economic Development, and District Planners collaborated in the development of a targeting methodology for NUSAF to assist in the identification of the priority areas for project resource allocation.
- Minister of State for Northern Uganda Rehabilitation, who chairs the donor sub-group on the North, has kept the donors informed of the developments in the North and on NUSAF. The donor groups for the North and on Decentralization were continually briefed on progress during preparation, formally wrote to OPM endorsing NUSAF and appointed two representatives to the MTF who participated in review meeting that endorsed the draft PAD.
- Government has accessed a PPF to finalize preparation and piloting of NUSAF activities.

#### **5. Value added of Bank support in this project:**

Under the Comprehensive Development Framework (CDF), the Bank's strategy is to focus on activities in which it has a comparative advantage over other donors. In the partnership matrix for the country, the Bank has significantly placed its focus on improving the quality of life and incomes of the poor under the PEAP, and in moving forward macro-economic issues. The Bank has also experience in working successfully with social funds during the last decade, and this is relevant to the Government's request for assistance. The Bank is a key stakeholder in the areas of fiscal and macro-economic measures, Local Government restructuring, and civil service reforms. Government wants the Bank to take a leading role in NUSAF as it coordinates various interventions, and fosters improved integration. On-going IDA financed operations in relevant sectors such as education, health, roads, post conflict, water and sanitation, and rural development puts it a unique position to assist the Government in addressing several cross-sectoral issues. Social funds require donor co-ordination, and although the Government unequivocally has taken the lead, it welcomes Bank support to coordinate and leverage additional resources if necessary.

#### **E. Summary Project Analysis (Detailed assessments are in the project file, see Annex 8)**

##### **1. Economic (see Annex 4):**

Cost benefit NPV=US\$ million; ERR = % (see Annex 4)

Cost effectiveness

Other (specify)

Public financing of NUSAF is justified by very high rates of poverty in the North, as well as by the fact that NUSAF supports sub-projects with high social rates of return, but low private rates of return (e.g. public health, primary education, and community mobilization). NUSAF incorporates cost efficiency and sustainability criteria for the approval of sub-projects, and unit costs are expected to be considerably less than other top-down sectoral programs. In addition, NUSAF's low overhead and use of existing district level staff, will make the project a cost-effective means of executing activities.

A district-level indicative resource allocation / targeting exercise has been undertaken by utilizing district poverty, social service accessibility, and other relevant indicators, such as vulnerability and conflict. Project finance is allocated according to the overall ranking based on the indicators. Such an exercise

reinforces the poverty reduction and targeting objectives of the project, having taken into consideration patterns of sectoral recurrent and capital expenditures, particularly in the social sectors. District officers (District Planning Officers, DEO, DMO, etc.) will be involved in selecting sub-projects and must ensure that recurrent financing will be available.

## **2. Financial (see Annex 4 and Annex 5):**

NPV=US\$ million; FRR = % (see Annex 4)

The budgetary impact of the project needs to be taken into account, especially the recurrent cost implications of the demand driven social sector investments and their potential for negative fiscal effects. Similarly, the financial analysis should take into account the resources generated and savings created through the community participation, if any. Reference should be made to ongoing or planned cost-recovery efforts in the various sectors (education, health and water), if any, and their impact on the efficient use of basic social and economic services.

### **Fiscal Impact:**

NUSAF operates under a project modality consistent with the Medium Term Expenditure Framework (MTEF), rather than providing direct budgetary support such as Poverty Reduction Support Credits (PRSCs). For projects which the Districts will disburse funds to, a Special Account for NUSAF activities will operate. Districts will reflect the additional recurrent budget requirement for NUSAF sub-projects within the following year's District budgetary plans within the MTEF, if they are not already accounted for in the current year plans.

## **3. Technical:**

The major technical issues that should be addressed / taken into account during project preparation (and as part of the economic analysis) are:

- poverty analysis and, related, demand and (self-) targeting,
- absorptive capacity at various levels, particularly at the parish, sub-county and community levels - which raises the issue of availability of skills for both facilitation and implementation in the short-run;
- transparency, accountability and financial management; and
- continuous monitoring and evaluation, including the establishment of baseline data.

## **4. Institutional:**

### **4.1 Executing agencies:**

The NUMU will be established in the town of Gulu and will be responsible for executing the project on behalf of the OPM. It will be semi-autonomous and staffed with skilled personnel, on contract, with responsibilities for technical oversight of the project activities. At the district levels, there will be a Technical Officer and an accounts assistant, within the District Planning Unit - which will constitute part of the DTPC. A NSC comprising of civil society, government and local opinion leaders is to be established, to oversee policy issues and operational guidelines. The NSC will advise the Minister of State for Northern Uganda Rehabilitation and the NPC on how linkages to other actors at the district and national levels can be created.

### **4.2 Project management:**

NUMU will manage the project on behalf of the government with support of the NDTO, and CSOs, NGOs, private sector and CPMCs working as community facilitators (CFs) as well as extension staff at the sub-county levels and below. The NUMU will be established and staffed by long term Technical Assistants

(TAs) using the PPF in the interim and will report to the Permanent Secretary through the Department of Pacification, in the OPM. This unit will work very closely with the current Multi-sectoral Task Force (MTF), to define the required operational structure at the regional, district and sub-county levels. It is suggested that institutional capacity constraints among key actors that will be involved in the implementation of the project require careful consideration especially, but not only, at the sub-county level. Under the PPF, proposed studies to implement and streamline the management issues include IEC, MIS, institutional arrangement, financial and procurement management. An exposure trip to countries implementing similar projects in the region will be organized to facilitate the learning process.

#### 4.3 Procurement issues:

NUMU headed by the Executive Director will manage the overall procurement under the project which involves consultants, equipment, motor vehicles, computers, office furniture and consumables for the regional and district units using a mix of national and international procurement procedures depending on the size of the goods and services. The NDTO will coordinate project activities at the district level. Sub-project related procurement will be carried out by the CPMCs supported by the DTO using community procurement procedures. The CSOs/NGOs, Interfaith and private sector as well as the local authorities will carry out procurement related to specialized small scale activities they directly execute, using local tender procedures. Lessons learnt from both community procurement and LA, CSO/NGO procurement would enrich both local and national procurement procedures.

An OM, a living document, has been prepared by the Government and will be continuously modified, subject to agreements between GOU and IDA, as new lessons are learned and incorporated for future use. More details on how the components will be implemented are described in Handbooks such as the Procurement, Financial Management and Administration Handbooks.

NUMU will prepare a draft General Procurement Notice (GPN) which will be updated annually and submitted to IDA. The GPN will describe the procurement of goods and services; this will be finalized and published in the United Nations Development Business and in local papers immediately after negotiations.

#### 4.4 Financial management issues:

The NUSAF Executive Director will be responsible to the NSC for all the financial activities of the Fund. The Director of Finance and Administration (DOFA) will report to him and be responsible for the Fund's Rules and Regulations regarding finances and administration. NUMU will keep proper books of accounts and maintain other financial records which conform to established international accounting standards. NUMU will establish the necessary bank accounts at national and district levels. Communities, LAs, CSOs, NGOs, and the private sector agencies will open bank accounts specifically for the project funds and account for them periodically as specified in the OM. NUMU will transfer funds directly into the relevant project accounts and keep a data base of all project accounts. In addition to periodic overall audits to be carried out by the NUMU internal auditor, employed under NUSAF, GOU district level internal auditors will carry out routine audits to ensure compliance with financial accountability rules and regulations in respect to those activities managed by the local authority. Decisions following the Fiscal Decentralization Study strategy proposals are likely to affect how financial flows within LAs are processed. NUSAF will monitor the effects of this on its systems and make the necessary adjustments.

A detailed description of country specific risks and issues, as well as an assessment of the financial management arrangements for the project are contained in annex 5 of the PAD. The annex also describes the flow of funds between IDA, the project and its beneficiaries, and actions required to establish an appropriate financial management system.

**5. Environmental:** Environmental Category: F (Financial Intermediary Assessment)

5.1 Summarize the steps undertaken for environmental assessment and EMP preparation (including consultation and disclosure) and the significant issues and their treatment emerging from this analysis.

The OPM has worked closely with the National Environment Management Authority (NEMA) on the preparation of a simple ESMP which sets out the system to be used for creating environmental awareness in the communities and identification of potentially negative environmental effects in sub-projects through appropriate checklists. Government regulations require that environmental assessments be conducted for major development projects, but have no requirements for minor infrastructure projects such as the ones to be funded by NUSAF. District personnel, trained by NUSAF and NEMA, will do simple environmental assessments during the desk and field appraisal, using the checklists included in the OM and Handbooks. Communities will actively participate in all stages of the sub-project cycle which includes considerations for improving the management of natural resources. NEMA will develop guidelines for the use of checklists and the implementation of mitigation measures prior to effectiveness. Such guidelines will enable analysis of the environment impact of individual sub-projects, include procedures for documenting analysis and list mitigating steps where there is adverse impact, and will be incorporated in NUSAF's implementation manual.

5.2 What are the main features of the EMP and are they adequate?

The ESMP has been available to all participants in the NUSAF preparations, both government agencies and NGOs. For all the sub-projects to be funded by NUSAF, the potential environmental impacts will be participatorily identified early during the initiation of a sub-project. Assessment of a sub-project and measures to avoid or minimize impacts will be incorporated into the sub-project implementation plan. NEMA, through the district environmental officers and together with the communities, will monitor the procedures for the identification of the environment issues and the implementation of the planned mitigation measures, and assess progress and compliance. NUSAF will play an active role in promoting and supporting sub-projects aimed at improving the management of natural resources by poor communities. Environmental screening, review and assessment of potential environmental impacts on investments will be an integral part of the CDI and VGS sub-project cycles (planning, implementation, supervision and monitoring). NUSAF will be pro-active in promoting community environmental awareness and institutional capacity building to ensure enforcement and monitoring of standards and guidelines needed to improve community management of natural resources.

5.3 For Category A and B projects, timeline and status of EA:

Date of receipt of final draft: N/A

5.4 How have stakeholders been consulted at the stage of (a) environmental screening and (b) draft EA report on the environmental impacts and proposed environment management plan? Describe mechanisms of consultation that were used and which groups were consulted?

NUSAF proposes a promotion, awareness creation and capacity building program related to environmental issues. This will take the form of messages to the wide range of stakeholders as well as training and sensitization workshops. The proposed methods of training community members in both screening and assessments is through the use of a harmonized participatory framework - which outlines the procedures and tools used to ensure maximum participation of all cross sections of the community and other actors at all stages of the sub-project cycle. Facilitators, including those from local authorities (LAs), CSOs and non-governmental organisations operating in the area, will therefore be trained and used to guide the process and in turn, will assist in training communities to monitor environmental effects at each phase of the sub-project cycle. Communities will formulate their own assessment and how to manage environmental impacts within the sub-project cycle with the assistance of the facilitators where necessary.

5.5 What mechanisms have been established to monitor and evaluate the impact of the project on the environment? Do the indicators reflect the objectives and results of the EMP?

The sub-project cycle (see ESMP and OM) defines the roles and responsibilities of the different actors by level during the preparation, appraisal, approval and implementation, monitoring and evaluation of the sub-project. Throughout the cycle, the different sector specialists ensure that: sector norms and standards are adhered to, ongoing and planned sector initiatives are taken into account and budgetary provisions are made for any recurrent costs that may arise from the proposed sub-project. District Environmental Officers [DEOs] exist in all the 18 districts and are employees of the local government. Under the IDA supported Environmental Management and Capacity Building Project, NEMA will facilitate capacity development of district officers for environmental assessment and audit. In districts targeted by NUSAF which are not targeted by the above mentioned Environmental Management and Capacity Building Project, NUSAF will fund such training using the training materials NEMA is using.

The minor infrastructure NUSAF will finance will have minimal impact on the environment, but cumulative effects will need to be monitored. Based on the needs assessment being undertaken and the experiences from the planned pilot phase, NUSAF will:-

- (i) include environmental assessment in the participatory appraisal process with the communities, and monitor the criteria for sub-projects by way of a checklist developed with the communities;
- (ii) carry out environmental assessments;
- (iii) raise community awareness over environmental issues; and
- (iv) finance community-based environmental alternative projects like afforestation, energy saving stoves, etc, as determined by the relevant communities.

## **6. Social:**

6.1 Summarize key social issues relevant to the project objectives, and specify the project's social development outcomes.

The community needs assessments (CNA) and stakeholder workshops undertaken during preparation as well as the pilot projects that will be implemented in several districts will yield considerable information on the potential social impact of NUSAF and how to promote equitable and sustainable development at the community level. The CNA (See Annex 12) undertaken sought people's perceptions on their key priorities, coping mechanisms as well as characteristics of the vulnerable. The assessment also involved getting community feedback on key design assumptions in NUSAF about local governments' and organisations' roles, and capacity, and community managed systems. Communities indicated indigenous institutional support mechanisms and self help practices which would be used for the design of NUSAF. The findings of the CNA therefore were used for designing and refining specific features of NUSAF.

A key group of stakeholders, the CSOs/NGOs sector including faith based organisations, will play an important role at national, district and community levels. It is envisioned that these organisations will be actively involved throughout the sub project cycle, from identification through implementation and monitoring, in areas where they have a comparative advantage. A simple gender and empowerment assessment form developed by the MOGLSD is included in the OM and will be utilized to determine the level of participation and hence empowerment of both men and women, the nature of participation, how equitable the distribution of costs and benefits is, etc.

6.2 Participatory Approach: How are key stakeholders participating in the project?

The primary beneficiaries under the project are poor communities in Northern Uganda especially the vulnerable groups mainly living in villages in both the rural and urban areas. Given the largely demand

driven nature of the project, communities will participate at all stages of the sub-project cycle from identification, prioritization through planning, implementation and monitoring, in the CDI, VGS and CRCM components. The facilitation process will follow the harmonized participatory framework, as it will determine who is participating, when and how. MoLG is taking a lead in assisting districts utilize this mechanism that promotes community based development through participatory planning, implementation, monitoring and evaluation. Indicators for community based M&E have been developed and will be tested during the pilot phase.

NUSAF will continue to work very closely with traditional leaders, CSOs, donors, national and local government systems, researchers, academicians, media, to ensure that investments in socio-economic infrastructure are effective, targeted, culturally sensitive, and inclusive. NUSAF will also link communities to relevant programs, provide extensive training of communities and their leaders/organizations, and ensure that capacity building and awareness are managed and provided within the IEC and CDI components.

6.3 How does the project involve consultations or collaboration with NGOs or other civil society organizations?

Key NGOs both international and indigenous including faith based organisations have actively participated and continue to participate in stakeholder meetings and workshops. In these consultative fora, the relevant organisations operating in the Northern region, have been able to generally identify their roles and responsibilities in NUSAF, and share their experiences of the demand driven approach. More information regarding the role of CSOs/NGOs and CBOs in implementation, monitoring and evaluation, and the sharing of resources will be determined from the lessons that will be obtained from the pilots in the districts.

6.4 What institutional arrangements have been provided to ensure the project achieves its social development outcomes?

The CNA clearly indicated the need to use existing indigenous and religious structures in addition to formal and local council structures and systems. In order to achieve the intended social development outcomes, NUSAF will employ:

- A community level microplanning process to allow for the participation of all people and especially the vulnerable groups, including women, people with disabilities, widows, etc.;
- Community level organisations which implement and manage the sub-project, in addition to seeking resources outside the community;
- Community facilitators who are part of government and no-government agencies trained to work intensively with the communities and provide support for the inclusion of other development agencies;
- District level teams consisting of government and non governmental staff oriented to the demand driven approach, involved in the appraising and supervision of sub-projects;
- Participatory monitoring and evaluation systems in addition to the Management and Information systems, that promote communities themselves setting their indicators of success; and
- An Information, Education and Communication strategy to facilitates timely dissemination and feedback of NUSAF related information, as well as the documentation and dissemination of good practices and lessons learned from the sub-projects.

Interrelationships between formal and informal institutions, national and local levels have been considered and strategies formulated to ensure efficient and effective coordination by National and District Committees for NUSAF. Membership of these committees has been drawn from a wide cross-section of stakeholders.

6.5 How will the project monitor performance in terms of social development outcomes?

NUSAF will utilise information generated directly through the MIS, and household and community surveys to be done in collaboration with UBOS, employing both qualitative and quantitative approaches. Critical monitorable indicators include the following:

- Active and visible participation of the poor, women, and other vulnerable groups in the identification, planning, implementation, monitoring and evaluation of development priorities through a community development process;
- The formulation of sub-projects that exclusively target the vulnerable groups as identified by the communities themselves and these include people affected and living with HIV/AIDS, people with disabilities, youths, etc.
- The community project committee, an institution that will mobilise internal and external resources, and manage community sub-projects in a transparent and accountable manner;
- Establishment of transparent and open information and communication initiative that promotes feedback from the communities and other actors, while providing timely and regular project related information to the stakeholders;
- Development of local skills for facilitation, planning and management, including financial management and procurement; and
- Development of a support structure at sub-county and district level that is responsive and accountable to communities and community based organizations.

A community-based M&E systems will be developed to strengthen the sub-project cycle and allow communities to be able to monitor and evaluate progress while ensuring sustainability of their projects. Lessons learnt from the NUSAF experience would be available for incorporation into the existing systems thereby enriching the later systems to respond to the community information flows.

7. Safeguard Policies:

7.1 Do any of the following safeguard policies apply to the project?

Policy	Applicability
Environmental Assessment (OP 4.01, BP 4.01, GP 4.01)	<input checked="" type="radio"/> Yes <input type="radio"/> No
Natural Habitats (OP 4.04, BP 4.04, GP 4.04)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Forestry (OP 4.36, GP 4.36)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Pest Management (OP 4.09)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Cultural Property (OPN 11.03)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Indigenous Peoples (OD 4.20)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Involuntary Resettlement (OP/BP 4.12)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Safety of Dams (OP 4.37, BP 4.37)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Projects in International Waters (OP 7.50, BP 7.50, GP 7.50)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Projects in Disputed Areas (OP 7.60, BP 7.60, GP 7.60)*	<input type="radio"/> Yes <input checked="" type="radio"/> No

7.2 Describe provisions made by the project to ensure compliance with applicable safeguard policies.

After the initial assessment by the communities and their facilitators, environmental assessment of sub-projects will be the responsibility of the District, where DEOs or persons designated by them will screen proposed subprojects as part of the DTTC responsible for the technical appraisal. This will ensure that appropriate assessment of each subproject is carried out. Before approving a subproject, the DEO on behalf of the DTTC, verifies that the subproject meets the environmental requirements of national and local authorities and does not violate any of the Bank's safeguard policies. NEMA and/or its vetted consultants will train those DEOs not yet exposed to the EA for community projects as well as familiarity with Bank

safeguards issues, partly through NUSAFs training program, and partly through the training funded under other Bank's and local donors' environmental projects operational in the selected districts. It is expected that NUSAF will enhance the capacity for safeguarding environment issues in the local institutions of the Local Councils [LC1 to LC5] as prescribed by the National Constitution. Community sub-projects may not in each case have negative environmental effects, but the cumulative effects may over time be negative, thus necessitating a holistic involvement in community driven development on the part of DEOs and their staff.

## F. Sustainability and Risks

### 1. Sustainability:

Empirical evidence from similar operations in various regions points to a strong and positive correlation between community participation and sustainability of sub-projects. Sustainability issues are also tied to the complementary roles played by other programs like LGDP, PMA, NAADS. The integration of NUSAF activities and lessons learnt into local government planning processes will also contribute to sustainability. The current macro-economic stability and the overall PEAP place greater importance on the Government's role in supporting basic social and economic services also factor in positively.

Systems and procedures will be developed as part of the project's OM, and training of project and key Government staff will be carried out prior to project effectiveness and thereafter. This will ensure that sub-projects with a low probability of sustainability will not be undertaken, and that community groups and implementing partners with a poor track record are denied additional sub-projects.

### 2. Critical Risks (reflecting the failure of critical assumptions found in the fourth column of Annex 1):

Risk	Risk Rating	Risk Mitigation Measure
<b>From Outputs to Objective</b> A return of civil strife in the Acholi and Karamoja sub-regions. Communities refuse to participate in implementation	S	The Implementation of the Amnesty Act is being fully supported by both the Donor Group for the North, Amnesty and Conflict Recovery and Government through the Amnesty Commission. Inter-regional peace dialogue underway supported by International efforts. Participatory planning involves communities from identification through implementation.
Current LGDP framework could undermine direct community funding. Project fails to establish systems to monitor performance and provide appropriate responses at all levels	M	The local authority roles have been clearly defined and agreed, and the Decentralization Donor Group appointed a member to sit on the MTF as it finalizes both the PAD and the OM. National MIS/M&E systems will be adopted and project MIS/M&E developed at each level
Local Government and NGOs/CSOs unwilling to cooperate and implement mutually	M	LAs, CSOs/NGOs/CBOs and private sector fully participate per roles defined in sub-project cycle and at invitation of communities
Institutional arrangements under decentralization fail to support community responses under NUSAF	N	Institutional linkages and functions of LAs discussed, agreed and incorporated in Memorandum of Understanding (MOU) for each district
Local CSOs and active NGOs unwilling	N	CNA findings indicate communities and

to support community initiatives		CSOs/NGOS cooperate well. IEC will strengthen this.
<b>From Components to Outputs</b>		
Delayed provision of counterpart funds.	M	MOF will allocate counterpart funds directly and MOU will be signed with each district undertaking to prioritize NUSAF sub-projects since they reflect community priorities.
Lack of transparency, accountability and technical quality in (sub-)project management;	N	IEC will ensure all project information is publicly displayed and CPMCs, CSOs and LA staff will be required to account, and infrastructure built must meet sector standards - extension staff certify works.
Political interference and rent seeking.	M	IEC will promote equal access to information and clarity on roles and decision making mechanisms will minimize interference.
Community fatigue in participation	N	CNA indicated that communities are eager to contribute to their own development provided they participate in the process
Weak capacity in district planning units to coordinate all activities and actors	N	Support to capacity building is an integral part of the project and LGDP reforms will focus on this
Community traditional leaders and local authorities unwilling to work on peace building.	N	The peace building component will build leadership capacity to promote peace.
<b>Overall Risk Rating</b>	<b>M</b>	

Risk Rating - H (High Risk), S (Substantial Risk), M (Modest Risk), N (Negligible or Low Risk)

The major risk associated with the option of not undertaking the project is the negative impact on the Government's stated goal of reduction of poverty, protection of the vulnerable, and reducing disparities in development in the North. This might have implications for the ongoing peace initiatives and might further worsen the insecurity situation in the North. Besides the Government is on record as having promised to provide funding for North specifically to close the 'development gap' emerging. This is especially critical at a time when the Government and the donors are working to implement the Amnesty Act through the Amnesty Commission.

The Government is particularly concerned that of the 13 districts that have shown continued decline in human development over the years, nine are in the North. Poverty and unemployment are high, and more than 66% of the population live in poverty. Not only could social tensions put political pressure on the Government to abandon its reform program, but social stability and peace are a precondition for investor confidence. The Government therefore sees NUSAF as a critical component of its overall social and economic program that can be abandoned only at substantial risk.

### 3. Possible Controversial Aspects:

With NUSAF focusing on community demand driven sub-projects, there is a lot of lobbying for funding of big infrastructure projects. The project team has however taken pains to demonstrate how sectoral programs such as the Ten Year Roads Development Program and the Rural Electrification Project are already under way to address that demand. Further, the Team has supported the financing of a Study to scope out comprehensive terms of reference for the development of a Strategic Plan for the North to be

incorporated in a National Strategy when that is prepared. These issues are likely to continue to be tabled, but to date the explanations provided by the MTF have been accepted by the Parliamentarians from the North and other lobbyists.

## G. Main Loan Conditions

### 1. Effectiveness Condition

- (a) The Borrower has established NUMU, in a form and with functions and resources, satisfactory to the Association, and appointed to NUMU the following personnel with terms of reference, qualifications and experience satisfactory to the Association: (i) an executive director; (ii) project accountant; (iii) an IEC specialist; (iv) a participation expert; and (v) MIS expert;
- (b) The Borrower has adopted: (i) the Operational Manual; and (ii) an accounting and financial management system and handbook, all in the form and substance satisfactory to the Association;
- (c) The Project Account has been opened and the initial contribution made;
- (d) Signed Memoranda of Understanding with at least nine (9) District Councils

### 2. Other [classify according to covenant types used in the Legal Agreements.]

*Board*

Draft Memorandum of Understanding with District Councils

## H. Readiness for Implementation

- 1. a) The engineering design documents for the first year's activities are complete and ready for the start of project implementation.
- 1. b) Not applicable.
- 2. The procurement documents for the first year's activities are complete and ready for the start of project implementation.
- 3. The Project Implementation Plan has been appraised and found to be realistic and of satisfactory quality.
- 4. The following items are lacking and are discussed under loan conditions (Section G):

## I. Compliance with Bank Policies

- 1. This project complies with all applicable Bank policies.
- 2. The following exceptions to Bank policies are recommended for approval. The project complies with all other applicable Bank policies.

  
Norbert O. Mugwagwa  
Team Leader

  
Dzingai Mutumbuka  
Sector Manager/Director

  
Judy M. O'Connor  
Country Manager/Director

**Annex 1: Project Design Summary**  
**UGANDA: Northern Uganda Social Action Fund**

<b>Hierarchy of Objectives</b>	<b>Key Performance Indicators</b>	<b>Data Collection Strategy</b>	<b>Critical Assumptions</b>
<p><b>Sector-related CAS Goal:</b>            To use targeted investments in a participatory, equitable and sustainable manner to promote reconciliation and thereby contribute to eradicate poverty in 18 districts in the north and eastern region--Northern Uganda.</p>	<p><b>Sector Indicators:</b>            1. Improved human development indices (HDI);            2. Increased government spending in social sector;            3. Improved health status and school enrolments;</p>	<p><b>Sector/ country reports:</b>            Government and donors reports; Household (HH) surveys; Annual Government Budgets reports; Project reports.</p>	<p><b>(from Goal to Bank Mission)</b>            No reversal of ongoing peace efforts / situation in the North;            Sector performances are sustained;             HH surveys are carried out in the districts of the North;</p>
<p><b>Project Development Objective:</b>            To empower communities in 18 districts in Northern Uganda by enhancing their capacity to systematically identify, prioritize, and plan for their needs within own value system, and implement sustainable development initiatives that improve socioeconomic services and opportunities- thereby contributing to improved likelihood's by placing money in the hands of communities.</p>	<p><b>Outcome / Impact Indicators:</b>            1. Level of satisfaction of beneficiary communities with community-level project outcomes;            2. Responsiveness and accountability of key stakeholders in making decisions, particularly at lower levels of governance;            3. Extent of transparency and accountability exhibited among stakeholders in making decisions that affect all of them.</p>	<p><b>Project reports:</b>            Beneficiary assessments; Monitoring and evaluation reports; Supervision mission reports; Project audits reports and minutes / reports documenting decisions making process; Project progress reports.</p>	<p><b>(from Objective to Goal)</b>            Current LGDP framework will not frustrate direct community funding.</p>

Hierarchy of Objectives	Key Performance Indicators	Data Collection Strategy	Critical Assumptions
<p><b>Output from each Component:</b></p> <p><b>Output 1:</b> Socio-economic infrastructure provided and used efficiently and effectively in the 18 districts in the North</p> <p><b>Output 2:</b> Vulnerable groups receiving support from activities they implement and manage in the 18 districts of the North</p> <p><b>Output 3:</b> Efficient, effective and more responsive institutions available at all levels to support communities initiative's</p>	<p><b>Output Indicators:</b></p> <ol style="list-style-type: none"> <li>1. Ninety (70%) per cent of the sub-projects completed within the project time;</li> <li>2. Two hundred thousand (200,000) households using facilities by end of project (EOP);</li> <li>3. At least 30% of the population of the North are reached by the facilities;</li> <li>4. At least 80% of the facilities are adequately maintained by the communities</li> </ol> <ol style="list-style-type: none"> <li>1. A total of fifty five thousand (55,000) vulnerable persons in receipt of assistance;</li> <li>2. On hundred and forty (140) CSOs facilitated and strengthened to support VGs within the project period;</li> <li>3. Two thousand, five hunder (2,500) sub-projects developed, managed, and being used by the VGs.</li> </ol> <ol style="list-style-type: none"> <li>1. At least 80% of the communities are trained to maintain facilities by End Of Project (EOP);</li> <li>2. Maximum of 25% sub-project requested rejected at field appraisal;</li> <li>3. At least 30% of the women are involved in CPMCs and training;</li> </ol>	<p><b>Project reports:</b></p> <p>Project implementation reports; Survey and PRA reports; technical audit reports (periodic); evaluation reports</p> <p>Project implementation reports; Management information systems at community and district levels; Districts reports; etc.</p> <p>Beneficiary Assessments for item 4.</p> <p>Project implementation reports; financial audit reports; evaluation reports; etc.</p>	<p><b>(from Outputs to Objective)</b></p> <ol style="list-style-type: none"> <li>1. The communities will be willing to participate in the implementation process</li> <li>2. Project will establish systems that will monitor performance and provide appropriate response at all levels for corrections</li> </ol> <p>Local NGOs and local government agree to cooperate and implement mutually this component</p> <p>Institutional arrangements under decentralization will not jeopardize establishment of social fund types of institutions for community response</p>

<p><b>Output 4:</b> Communities reached with enhanced Community reconciliation and conflict management support in Karamoja, Acholi and West Nile sub-regions.</p>	<p>4. At least 80% of districts franchising funds to project implementers.</p> <p>5. At least 90% of the communities are aware of NUSAF by the third year of its operation</p> <p>1. Five hundred (500) Community Reconciliation and Conflict Management Promoters trained and active in the sub-regions by project MTR;</p> <p>2. Eight hundred (800) communities supported by reconciliation-related NGOs, CBOs, and other agencies by EOP;</p> <p>3. Two thousand (2,000) interventions targeted at traditional institutions for CRCM.</p> <p>4. At least 80% sub-projects completed and in use by EOP;</p> <p>5. At least 10 CRCM tools developed and in use by project MTR</p>	<p>Project implementation progress reports; beneficiaries assessments (annual); District reports; etc</p>	<p>Local CSOs and active NGOs will be willing to support community initiative's</p>
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Hierarchy of Objectives	Key Performance Indicators	Data Collection Strategy	Critical Assumptions
<p><b>Project Components / Sub-components:</b></p> <p><b>1. Community Development Initiatives [CDIs]</b></p> <p><b>2. Support to Vulnerable Groups [VGS]</b></p> <p><b>3. Community Reconciliation and Conflict Management</b></p> <p><b>4. Capacity Building and Institutional Development [CIB&amp;ID]</b></p> <p>(a) Training and CB for NUMU and district staff</p> <p>(b) IEC</p> <p>(c) M&amp;E, and MIS</p>	<p><b>Inputs: (budget for each component)</b></p> <p>US\$ 68.5 million</p> <ul style="list-style-type: none"> <li>● Sub-projects identified, planned and appraised.</li> <li>● Communities to implement 3,000 sub-projects.</li> <li>● Support sub-project monitoring &amp; evaluation.</li> <li>● Train 3,000 CPMCs in sub-project cycles .</li> </ul> <p>US\$ 20.0 million</p> <ul style="list-style-type: none"> <li>● Facilitate communities to identify vulnerable groups.</li> <li>● Support 3,000 CBO /CSO - implemented sub-projects.</li> <li>● Reach 50,000 vulnerable persons with benefits</li> </ul> <p>US\$ 2.5 million</p> <ul style="list-style-type: none"> <li>● Plan and conduct training in community reconciliation.</li> <li>● Identify institutions to conduct training.</li> <li>● Work with 6 districts to implement component.</li> <li>● Support 1,000 community sub-projects with community reconciliation activities</li> </ul> <p>US\$ 9.0 million</p> <ul style="list-style-type: none"> <li>● Plan and execute training for stakeholders.</li> <li>● Identify institutions to conduct training.</li> <li>● Implement NUMU at national, regional, and district levels.</li> <li>● Conduct awareness raising sessions at all levels.</li> <li>● Implement M&amp;E and MIS</li> <li>● Contribute to Poverty Monitoring system.</li> </ul>	<p><b>Project reports:</b></p> <p>MIS, Periodic progress reports from Local Authorities; Financial management and disbursement reports from NUM and LAs.</p> <p>MIS and reports from NGOs and CBOs.</p> <p>MIS as well as Reports from CBOs and NGOs</p> <p>NUMU and Local Council reports</p>	<p><b>(from Components to Outputs)</b></p> <p>Timely provision of counterpart funding; Sub-project proposals identified and selected based on priority needs and technical quality; Minimized rent seeking.</p> <p>The VGs are willing to participate in the initiatives with CSOs and LAs</p> <p>Community traditional leaders and the local government are willing to work on community reconciliation</p> <p>District Planning units have capacities to coordinate all local activities of active actors in the districts; Staff are selected and recruited competitively.</p>

## **Annex 2: Detailed Project Description**

### **UGANDA: Northern Uganda Social Action Fund**

The Government is cognizant of the disproportionately higher level of poverty in the 18 districts of Northern and North Eastern Uganda compared to the rest of the country. In order to address the inequality and the severe poverty in these parts of the country, Government is, through the Office of the Prime Minister, designing the Northern Uganda Social Action Fund (NUSAF) Project to support the reconstruction of basic economic and social infrastructure lost or retarded over years of neglect and instability in the region, promote community rehabilitation, and address the emergency needs of the war affected population and other poverty-related problems, especially at the grassroots level.

One of the measures taken to understand and address widespread poverty in the country was the launching of the Poverty Eradication Action Plan (PEAP) which is the Government's framework and strategy for eliminating core poverty over a ten year period from 1997-2007. In the PEAP, the disadvantaged status of the North vis-à-vis the south of the country is explicitly recognized and measures to redress this disparity in the form of targeted interventions are recommended. Additional efforts through special/targeted interventions investments are required to address the problem. NUSAF is therefore intended to be the main vehicle through which this will be done. NUSAF is one of the strategies proposed for carrying out the required interventions in the region. It is intended to target the needs of 30% of the population in the project area, i.e. 2 million people.

GoU therefore decided to adopt a project targeting the North and North East after realizing that despite significant gains in reducing poverty recorded throughout the country, these areas continued to fall deeper into poverty. The combined population of these districts is approximately six (6) million people which represents 20% of the nation's population.

NUSAF will consolidate the achievements of the Northern Uganda Reconstruction Project Phase 1 - 1992-97 (NURP 1), and assist districts and communities to build their capacities in project identification, preparation, implementation and monitoring and evaluation. The project is expected to contribute to increased incomes and access to basic social services such as primary education and health care; increased economic activities by the communities and the private sector; assist the vulnerable population, especially Internally Displaced Persons (IDPs), war affected children, female headed households, the semi-nomadic population in the Karamoja region and other poor households.

#### **Overall objectives of NUSAF**

NUSAF will empower communities in Northern and North Eastern Uganda by enhancing their capacities to systematically identify, prioritize, and plan for their needs within their own value system. It will implement sustainable development initiatives that improve socio-economic services and opportunities thereby contributing to improved livelihood's by placing money and its management in the hands of the communities.

NUSAF will assist Government in its efforts to tackle poverty and bring about development through participatory community efforts that utilize community value systems, which are particularly strong in the family, clan, and cattle-rearing culture found in Northern Uganda. The process of over-coming underdevelopment through community action, leadership development and resource mobilization will thereby strengthen the on-going peace processes in the region. Through NUSAF, vulnerable groups (unemployed youths, female headed households, orphans, and others) will be mobilized to join mainstream development processes based on community accountability and improved governance.

The proposed NUSAF will be part of Government's efforts to ensure that the North is able to “catch-up” with the rest of the country in the development process. It will make it possible for communities to articulate their specific needs, prioritize them and manage the processes and the outcomes, and thus enhance good governance for peace and development. NUSAF will facilitate the construction and rehabilitation of small-scale infrastructure, identified and managed by the communities in a culturally sensitive manner (hence the emphasis on community value systems) as a critical means to promote community leadership in the context of decentralization. Specifically, NUSAF will:

- (i) strengthen community participation, leadership development and resource mobilization;
- (ii) improve quality of service and access to social services and community initiated infrastructure;
- (iii) support community reconciliation and conflict management through local institutions and civil society organization's (CSO);
- (iv) provide and facilitate support to vulnerable groups, especially the youth and women affected by conflict ; and
- (v) provide institutional support and build capacity to manage the project, disseminate information, monitor and evaluate activities as well as strengthen the local government institutions that provide technical support to the Project.

#### **Project pre-test phase.**

In order to confirm the operational guidelines for NUSAF, it is important to pre-test different mechanisms for implementation as well as to operationalize them. Pre-testing is essential in order to fine-tune operational procedures and the sub-project cycles of the three components for the larger project. Sub-project activities will be field tested at the thirty two sites in the five sub-regions where the community needs assessment (CNA) exercises were carried out. The proposed funds will assist GOU:-

- Complete the design of the proposed NUSAF using inputs from findings of Technical Assistance (TA) analyses and reports;
- establish a partially staffed structure to manage start-up activities;
- develop and finalize the draft operational manual and handbooks;
- implement sub-projects at select sites; and
- build limited implementation capacity before the credit becomes effective.

#### **Ely Component:**

##### **Project Component 1 - US\$97.20 million**

**Community Demand Initiative (CDI) Component:** Total cost of component US\$97.2 million (IDA US\$68.5; Government of Uganda US\$9.8 million; and Beneficiary Communities US\$18.9 million).

This component will support community demand-driven initiatives that improve the accessibility to and the delivery of small-scale socio-economic services and enhance the capacity of communities and other stakeholders involved in the process. Therefore, the proactive participation of beneficiaries in the identification and prioritization of needs, decision-making, planning, implementation, monitoring, maintaining and operating the project output will be the governing principle. It will support community demand-driven initiatives that contribute to the creation of community assets, with a negative list for items with individual rather than community benefits.

A positive list of items which can be funded by NUSAF has been developed and although it is not

exhaustive, it provides an indication of the scope of this component. On the negative list will be sub-projects which (a) might have a resettlement component, (b) micro-credit unless they are in the context of NGO support provided to income-generating activities to vulnerable individuals like widows and widowers, returnees and abductees, disabled, people living with and affected by HIV/AIDS and HIV/AIDS orphans, and (c) are large investments beyond the maximum specified in the Operational Manual (US\$50,000) for financing under NUSAF. A CDI sub-project cycle has been developed and will be tested to ensure that the roles of communities, technical experts, elected bodies, and private contractors are in compliance with the provisions as detailed in the Operational Manual.

**Project Component 2 - US\$23.30 million**

**Vulnerable Group Support (VGS) Component:** Total cost of component US\$23.3 million (IDA US\$20.0; Government of Uganda US\$1.2 million; Beneficiary Communities US\$1.1 million).

This component targets the vulnerable groups and Civil Society Organizations (CSOs), NGOs and private sector agencies which will directly work with these groups. The vulnerable include inter alia: the internally displaced persons (IDPs), children abducted by various armies and who have returned (ex-abductees); youth who have given up guns for peaceful livelihood alternatives (gun drop-outs, e.g. from Karamoja), youths whose life have been disrupted by the long civil strife (youth drop-outs), the aged, female headed households, widows and widowers, HIV/AIDS affected and people living with HIV/AIDS, orphans and foster parents, the destitute and the disabled.

Through a participatory process, vulnerable groups and CSOs working with such groups in the region will be identified and supported to develop strategies likely to contribute to their poverty alleviation. The project will finance the facilitation process for target groups and the CSOs that will have been identified. The component will then support capacity-building activities for CSOs selected to partner vulnerable groups at the district, sub-county or village levels. It will further finance income generating activities and other support services interventions targeted at female headed households and other vulnerable groups. Activities under this component will depend on the specific needs of vulnerable groups, and the CSOs identified as partners. For the youth, support will include skills provision through vocational training facilities (rehabilitation and expansion of existing), sponsorships for youths to undergo vocational training and receive a set of tools upon their graduation, and others. Other CSOs will receive support to rehabilitate existing facilities and expand coverage for the elderly, persons affected by HIV/AIDS, orphans and foster parents, and various destitute persons in the districts.

**Project Component 3 - US\$ 2.80 million**

**Community Reconciliation and Conflict Management (CRCM) Component:** Total cost of component US\$2.8 million (IDA US\$2.5 million; Government of Uganda US\$0.14 million; Beneficiary Communities US\$0.14 million)

The CRCM component will provide support to and encourage communities to identify innovative ways for community reconciliation and conflict management using traditional and non-traditional approaches, based on indigenous knowledge, the way communities have in the past managed conflict so that it has not lead to open warfare, and helping communities reclaim this knowledge for use in modern-day living in Uganda. Traditional approaches target traditional, local elected, and religious leadership to review and strengthen on-going community reconciliation processes such as holding peace meetings and/or negotiations between clans and/or tribes; supporting inter-tribal dialogue including visits to other districts; cleansing of "reporters" and returnees, and counselling and provision of psycho-social support to returnees, ex-abductees,

gun-drop-outs, and the receiving communities. Non-traditional methods, which include PRAs to enhance community dialogue and facilitate 'social capital' resuscitation, would be promoted by LAs, NGOs and CSOs operating at all levels. Both approaches will: (a) build strong ties (integration) within and between war-torn societies that are needed to cope with transitional shocks and thereby regenerate community safety nets; (b) facilitate intra- and inter-clans and tribal linkages needed within and among the sub-regions; (c) develop synergies with formal and national institutions needed to build trust and confidence in improving State-LAs-community relations.

In the process, the component will link governance, decentralization and community empowerment. It will build community confidence in the importance and relevance of local government systems as well as rejuvenate traditional systems. Support will also be provided to facilitate the implementation of reconciliation at the local level, particularly the role of traditional institutions and CSOs, including integration of returnees through incentives to accepting communities. These activities will be concentrated in the three sub-regions of Karamoja, Acholi and West Nile. In Karamoja the initiative will build on the work of the Lutheran World Federation (LWF), other local CSOs, and traditional leaders while in Acholi and West Nile sub-regions, the support will strengthen the works of LAs, CSOs, traditional authorities, and religious leaders in the area. Successful implementation of the CRCM component will ensure strong community linkages to leadership and local governance for peace building and enhanced inclusiveness in the planning and management of development activities including the CDI component.

The development of a community-based M&E system will allow communities to track their own development in terms of peaceful development and to re-enforce the critical link between peace and development. The goal of NUSAF is to assist communities move from the post-conflict area, using funds under the CRCM component, so that they can participate in activities targeted at vulnerable groups (VGS component) and community development (CDI component).

#### **Project Component 4 - US\$11.20 million**

**Institutional Development (ID) Component:** Total cost of component US\$11.20 million (IDA US\$9.0 million; and Government of Uganda US\$2.20 million)

##### ***Sub-Component (a): Capacity Building - Training and NUSAF Management Unit (NUMU)***

**Training:** This component will support capacity building and training for different sets of stakeholders. These would include the communities, LAs, CSOs, NGOs and the private sector, concerned GOU staff and NUSAF staff. This capacity building initiative will be articulated through workshops and seminars, as appropriate, using facilitators, trainers and tools and will focus on familiarizing the concerned stakeholders with the philosophy, principles, and methodology of the project and on building capacity to implement the project based on these clear criteria. There will be a clear emphasis on developing basic book-keeping and accountancy skills as well as leadership skills among community members involved in the management of sub-projects under NUSAF. Enhanced capacity at the community, CSO and government levels to design, support and implement participatory development will be the expected outcome of this initiative. For the local government functionaries, the component will assist them to, by level, facilitate communities to identify, prioritize and plan multi-community sub-projects for funding; ensure communities comply with sector norms and standards; sensitise communities to the importance of cross-cutting issues such as environment, gender, HIV/Aids and nutrition; appraise sub-projects; recommend for approval and supervise implementation of sub-project activities. Where the LA is the implementing and managing authority, the staff will be trained in the sub-project cycle and NUSAF procedures to ensure that there is smooth interface with LA procedures.

*NUSAF Management Unit:* A small Project Coordination/Management Unit, headed by an Executive Director appointed by the NSC chaired by the PS, OPM, will be constituted at the regional level to bring its operations close to the districts and communities. The following full time staff will constitute the Unit: an Executive Director (ED) appointed by and reporting to the NSC through the PS, OPM, supported by three directors for CDI, VGS/CRCM and Finance and Administration who in turn are backed-up by specialists in participation and operations, infrastructure, procurement, accounting and administration. The ED's office would be serviced by a small Unit comprised of technical experts responsible for participation IEC, MIS, Training, M&E and Internal Audit in addition to the support staff of secretaries, drivers and guards. Since the bulk of NUSAF work (sub-projects preparation, appraisal and approval) will be district-based, the NUSAF Management Unit will be small. This will be responsible for managing a Special Account, components implementation, technical quality control and coordination, administrative functions amongst the different stakeholders (including the MOFPED, donor(s), NGOs, etc.), monitoring of project activities, monitoring cumulative environmental effects and safeguards issues, and documentation of project data/information. At the district level, a NUSAF technical officer and accounts assistant would be appointed or re-assigned from existing staff to facilitate interaction between CPMCs, STPCs, district level sectoral officers and DEC during preparation, appraisal and implementation. Under the direction of the CAO district based staff would provide support for the sub-project approval, implementation and supervision in line with their routine functions.

The arrangement to have the NUMU overseen by the OPM, located in the region, is in conformity with the suggestion from many districts that a regional headquarter may be more convenient for communities and supporting agencies to access than one in Kampala. In summary, the specific functions of NUMU at the Regional Level will be to:

- Oversee the implementation of processes needed to make the sub-project cycle a critical NUSAF management tool;
- Receive and finance proposals from communities, their representative and supportive agencies, and LAs as approved by the DTTC and endorsed by the DEC;
- Facilitate training for facilitators in participatory processes and for the various actors including LA staff, CSOs/NGOs and the private sector;
- Develop sub-project component documentation for management and accountability (in the form of handbooks, training manuals, procurement, contracting and reporting guidelines, etc);
- Overall coordinate, monitor and evaluate NUSAF activities and report on them to the NSC quarterly and annually;
- Procure goods and services needed to ensure overall implementation;
- Initiate a study on a strategic development policy framework for the North; and
- Assess the project impact at completion.

In the execution of the above functions, the NSC and the NUMU will rely heavily on recommendations coming from Levels I, II, III through V of Local Councils in the districts. The capacities of these levels of LAs will therefore be strengthened through technical support by CSOs/NGOs and other agencies or private individuals.

***Sub-Component (b): Capacity Building - Information, Education, and Communication (IEC)***

The component will also support IEC initiatives which will seek to inform and educate the concerned stakeholders on the objectives, processes and activities of the project and the roles of the different actors as well as to obtain and transmit from the stakeholders their views and responses to project needs. Equal access to information is a key element to community empowerment, transparency and accountability. This upward, horizontal and downward flow of information is critical for ensuring that project objectives and implementation targets are upheld. The success of the project will depend to a large extent on the timely

and consistent transmittal of information across stakeholders.

This initiative will also contribute to the formation of sustainable alliances and partnerships between communities, LAs, CSOs, NGOs and government officials. Specifically, the IEC initiative will initially sensitize the broad range of stakeholders to the dynamics of the proposed project – its philosophy, principles and methodology. In this context, it will clearly articulate the roles and responsibilities of the different actors concerned, document the implementation of the project by focusing on the sub-projects under the CDI component, and the initiatives under the VGS and CPB&CM components. In effect, it will build an evolving knowledge base of Lessons Learned which can be operationalized to improve project quality. Media appropriate to Northern Uganda will be identified and used and these will include radio, drama and song and print. Information needs assessments, message development and impact evaluations will also be financed.

This sub-component is a process integrated into the CDI, VGs and CRCM components. It will seek to leverage the role of IEC to deepen and amplify the government's development efforts in the five sub-regions and 18 districts identified for project implementation. The sub-component will work as a knowledge management tool that will provide optimal project-related information through a variety of media vehicles to all levels of stakeholders. Information about the philosophy and methodology of the project, as well as the roles, responsibilities and accountability of stakeholders at all concerned levels will thus be one main and on-going focus of IEC. In this regard, the sub-component will internalize and respond as needed to the varying communication demands of the three components – CDI, VGs and Community Reconciliation and Conflict Management. The second focus will be on documenting, disseminating and exchanging information on the development experiences of concerned stakeholders

***Sub-Component (c): Capacity Building - Monitoring and Evaluation (including Management Information System - MIS)***

***Monitoring and Evaluation:*** Effective monitoring and evaluation (M&E) arrangements will be integral to project design and implementation. These will be based on a District-level monitoring system, complemented by a suitable national system that can not only report on project progress, but also contribute to analyses conducted on poverty trends in the North and in the Country. At the National level, there will be some supervision of policy-related matters by the OPM and various line ministries - and these will need to be monitored and evaluated. From the outputs of this sub-component, NUMU will be able to produce suitable reports for the Prime Minister and the Minister of State for Northern Uganda in briefings for the Cabinet, Parliament, and others. Similarly, NUMU will be able to prepare reports for the National Steering Committee to brief line ministries, donors, LAs, NGOs/CBOs, various stakeholders, and IDA. Cumulative Environmental effects as well as solutions to local environmental problems will be monitored and show-cased at national level.

NUSAF will be able to harmonize its approach with others at the national level, especially the Ministry of Finance's efforts to develop a harmonized Monitoring and Evaluation system. The work of NUMU in this sub-component will thus contribute to the national monitoring of trends in poverty alleviation by providing some statistics on developments in the North.

***Poverty monitoring and analysis:*** has been one of the major activities carried out by the Poverty Monitoring and Analysis Unit (PMAU) at the Ministry of Finance, and the UBOS via its frequent household surveys. Many other supporting surveys (both qualitative and quantitative) have also been carried out by various development organizations (including bilaterals and UN agencies). These recent reports have been used in the preparation of NUSAF. There are, however, some gaps identified in the previous household surveys, which NUSAF, in conjunction with other players, will attempt to fill in by

carrying out complementary initiatives. Firstly, poverty estimates so far could be reliably calculated only at the sub-regional level, a level which is inadequate to undertake effective targeting and monitoring, or pick-up on the District variation. Secondly, some districts in the project area have not been surveyed at all during the last survey. Finally, given the alarming poverty level and vulnerability in the project area, it was felt that getting information on vulnerability and conflict would be critical. Given these facts, the project proposes to provide base-line household survey for the 18 districts as part of the regular household income and expenditure surveys that UBOS regularly carries out, and include a module on vulnerability and conflict in the survey. NUSAF will fund surveys during the mid-term (beneficiary assessment) and at the tail-end of the project, to assess the project's effectiveness in reaching the target communities and households. The project will support the analytical work emanating from the surveys.

*Management Information System:* Appropriate monitoring indicators will be developed and a Management Information System (MIS) designed that will assist in tracking the progress of the project. A suitable financial management system will be implemented using appropriate accounting packages approved by the MOFEPD and MOLG for use by LAs. A suitable Financial Management System (FMS) will be available for use by NUSAF in time for the commencement of the PPF.

As NUSAF activities are driven by sub-project cycles followed by communities and LAs, CSOs, NGOs and the private sector, a suitable Sub-Project Tracking System (STS) will be put in place. The STS would take into account and learn from existing district level data collection and analysis systems. Experience from other Social Funds in Africa will be harnessed and tapped to ensure that NUSAF can take advantage of lessons learnt by others in this process. A simple project tracking system will thus be put into place and used to monitor sub-project implementation, and completion in all the components on NUSAF. The project tracking system will be complemented by an Output-based Sub-project Management System (OSMS) as the basis for developing a performance sub-project management system so that the contracting of LAs, CSOs/NGOs, CBOs, and private service providers is transparent to both communities and supporting agencies. There is some experience with the use of Operational Bills of Quantities (OBQs) to produce Schedules of Inputs (SoIs) in Uganda. Similarly, NUSAF will access whatever regional experience exists with this type of sub-project management information system. Through the OBQs, SoIs, and OSM experiences, NUSAF will be able to implement an MIS for use at the NUMU level and have it adopted for use in the Districts. This system will guide the development of performance measures for District Councils as they take over the management of NUSAF from NUMU.

The MIS will interface with IEC by for example identifying sub-projects where implementation is lagging and where suitable information could be packaged for education and communication. This kind of targeted information will be a facilitator for improved project quality and timeliness.

**Annex 3: Estimated Project Costs**  
**UGANDA: Northern Uganda Social Action Fund**

<b>Project Cost By Component</b>	<b>Local US \$million</b>	<b>Foreign US \$million</b>	<b>Total US \$million</b>
Community Development Initiative	77.76	0.00	77.76
Vulnerable Groups Support	17.90	0.00	17.90
Community Reconciliation and Conflict Management	2.22	0.00	2.22
Institutional Development	7.50	1.40	8.90
<b>Total Baseline Cost</b>	<b>105.38</b>	<b>1.40</b>	<b>106.78</b>
<b>Physical Contingencies</b>	<b>6.60</b>	<b>0.09</b>	<b>6.69</b>
<b>Price Contingencies</b>	<b>19.80</b>	<b>0.27</b>	<b>20.07</b>
<b>Total Project Costs <sup>1</sup></b>	<b>131.78</b>	<b>1.76</b>	<b>133.54</b>
<b>Total Financing Required</b>	<b>131.78</b>	<b>1.76</b>	<b>133.54</b>

Figures may not add up due to rounding

<sup>1</sup> Identifiable taxes and duties are 0 (US\$m) and the total project cost, net of taxes, is 133.5 (US\$m). Therefore, the project cost sharing ratio is 74.91% of total project cost net of taxes.

**Annex 4**  
**UGANDA: Northern Uganda Social Action Fund**

**Economic and Financial Analysis**

*Links to CAS and ESW*

The principal CAS goal supported by the proposed project is the 'reduction of poverty and regional disparity through targeted investments undertaken in a participatory manner to promote peace and directly increase the ability of the poor to raise incomes'. The CAS observes that the relatively poor districts in Northern and Eastern Uganda have not benefited sufficiently from economic growth and reforms. The CAS proposes a strategy of targeting the relatively poor districts in the North and the East, preferably with a mechanism such as a social fund. The historical imbalances in the development of the North have led to increased poverty and conflict. The Community Needs Assessment (CNA) carried out as part of preparation work findings noted that, among the majority of the communities interviewed, feelings of exclusion, weak local participation and leadership have both fuelled the conflict and slowed down development interventions aimed at reducing poverty and improving living standards.

The proposed NUSAF will operate within community value systems and contribute to good governance and security particularly at the local government and community levels. Support will be provided to children/youth formerly abducted during the civil wars, those who have surrendered and returned guns in exchange for a changed livelihood, and those whose careers have been disrupted as a result of the prolonged conflict and breakdown of traditional systems. Support to the VGS component activities in income generation and services provision will also benefit women-headed households, orphans, widows/widowers, the very poor, and others affected by conflict.

*Macro-economic Situation*

Save for recent adverse external shocks, Uganda continues to maintain good macro-economic stability through prudent management of both fiscal and monetary policies. Inflation rates have been maintained despite the decline in the terms of trade by over 30 per cent over the past two years. Real GDP growth rate for 2000/01 was 5.0 per cent. Poverty in Uganda continues to be regionally concentrated, with the north and the east having the largest proportions of the poor populations. Poverty in the North has risen by 8 per cent between 1997 and 2000, leaving 66 per cent of the population below poverty line. Moreover, the poverty gap and the depth of the poverty have increased in the rural areas of the North, where insecurity has been persistent. Insecurity and lack of viable alternative economic activities to livestock keeping have been noted as the most significant reasons for increases in poverty.

Insights from the 1992 integrated HH survey (1992 IHS) and the 2000 UNHS data show that good household health status, presence of peace and security among others have been important determinants of household real consumption expenditure growth and hence poverty reduction. NUSAF therefore aims to empower the communities in the North to address their underlying causes of poverty. The CDI component seeks to enhance community-LA-state relationships by engaging them in dialogue that eventually leads to support for long-term development for the poor. The CRCM together with the VGS components facilitate community reconciliation and security through enhancement of safety nets for basic survival and participation in long-term development for the poor. Civil societies and NGOs will play major roles in this, hence, bridging differences in kinship, ethnicity and beliefs which are often obstacles to peace across the region.

*Finance:* NUSAF operates under a project modality, rather than direct budgetary support such as Poverty Reduction Support Credit. Thus funding will be consistent with the Medium Term Expenditure Framework envelope, and the recurrent cost implications arising from NUSAF sub-projects will be incorporated into the following year's District Budgetary plans, if they are not already reflected in the budgets. Districts will operate a NUSAF Special Account, in cases where they undertake the disbursement functions themselves.

#### *Economic Returns to NUSAF*

Approximately 70 per cent of NUSAF funds will finance the CDI component which supports communities to identify and decide on the type of sub-projects that are a priority in their respective areas. Poor communities are rational economic actors whose choices will reflect those sub-projects that provide the greatest rate of return to their inputs of labor, time, materials and cash. Given this, as well as that the benefits gained are longer term rather than short term, a traditional cost-benefit analysis is not suitable for the project.

Much of the returns to NUSAF investments will be in the form of enhanced social capital and sustainability of community assets a result of a combination of peace building efforts and targeted interventions. NUSAF will pursue cost-effectiveness measures and simple screening procedures for sub-projects through the following efforts:

- cost-effectiveness of sub-projects will be facilitated by provision of project menus, costed design options, a cost data bank and encouragement of local competition in procurement of goods and services;
- checklists and guidelines for appraisal of sub-projects proposals will be defined in the Operational Manual, and will include cost-effectiveness criteria. District and community participants will be trained in the use of these guidelines;
- sub-projects will be appraised by NUSAF in conjunction with relevant sectoral technical staff in order to ensure that the technical specifications of the sub-projects are consistent with sector technical standards and that subsequent operating costs can be met;
- under the CDI, VGS and CRCM, community contributions as a share of sub-project cost will be taken as an indicator of community ownership and commitment to maintain the productive life of the assets. Communities will contribute between 5% and 20% depending on the nature of the sub-project; and
- beneficiary assessments, an household surveys will assess project impact on communities and other beneficiary stakeholders such as LA officials, CSO/NGO staff, etc.

#### *Poverty Targeting and Resource Allocation Mechanism for NUSAF*

Whereas NUSAF overall is a targeted intervention, a targeting framework has been established, within which indicative resources allocation for districts has been done in a transparent and objective manner. This has been based on the fact that the poverty situation and other socio-economic characteristics differ across Districts. NUSAF, using existing district-level indicators has, in addition to per capita allocation, incorporated poverty and accessibility to social services, as well as other pertinent indicators to allocate indicative resources to Districts. This work will be updated annually by incorporating current information and in cognizance of changing district situations - in consultations with, and inputs from, District representatives. The updated result will be presented to the NSC annually as part of NUSAF annual plans and budgets. This exercise should also assess if districts have met their targets and if not, how to stimulate demand within those Districts where community take-up is slow (through a more intensive IEC and PRA efforts). The methodology and the initial results are discussed below.

*Methodology:* The work was undertaken by the OPM with inputs from the World Bank and guidance from an Advisory Group, consisting of members from the EPRC, the UBOS, and the PMAU at the MOFPED. Inputs were also sought from District representatives during the May, 2001 Consultative Workshop in Soroti. Information available from various sources on poverty and service accessibility indicators at district level have been utilized. In addition, until a better information is available, the latest information on the number of vulnerable (displaced population, abducted children and drought affected, OCHA Sep/Oct'01) has been utilized for the VGS component. A simple index ranking indicating conflict levels in the districts (ranging from 1 for highly conflicted districts to 4 where there is peace) are also included for VGS and CRCM components. *Table 1* shows the indicators that were used to come up with a weighting factor to rank districts for the project's resource allocation.

**Table 1. Indicators Used in Producing Indicative Resource Allocation**

Indicator	Component (where used)	Weight (%)	Source
Household Expenditure Per Capita	CDI	25	UNDP Uganda HDR 2000
Primary Pupil Classroom Ratio for Government Schools Using Classrooms in Use, 2001	CDI	10	Ministry of Education 2001
Primary Gross Enrolment Ratio (GER), 2000	CDI	15	Ministry of Education 2001
% Without Access to Safe Water (within 5 KM)	CDI	20	UNDP Uganda HDR 2000, UBOS
% Without Access to Health Services	CDI	15	UNDP Uganda HDR 2000, UBOS
All Weather Road (% within 5 KM)	CDI	15	National Service Delivery Survey 2001
Vulnerability Index	VG	75	UNOCHA Sep/Oct'01
Conflict Ranking Index	VG	25	Advisory Group
Conflict Ranking Index	CRCM	100	Advisory Group

Districts were ranked for each of the indicators and were then weighted and summed up across districts to produce a composite district weight ranging from the most deprived (1) to the least deprived (18). The per capita resource allocation has been adjusted so that the worst-off districts get more than their share while the better-off ones get less than their share, within a range of +20% to -20% (weighting factor) for CDI and VGS components. For CRCM, the weighting factor ranges from +50% to -50%.

*Guidelines for Targeting and Resource Allocations Below the District Level:* This methodology should cascade below district levels whereby districts (and local structures below them) will undertake indicative resource allocation exercises for their sub-counties (and below) using local data and information by establishing committees; this is particularly important in incorporating current information on vulnerability and conflict. Intra-District (and even below) ranking is critical, since there are pockets within Districts which are worse-off - aggregation at the district level will not capture disparities within a district. Districts and other local government bodies can play an active role by targeting and prioritizing the more deprived and weaker communities, and by carrying out a more focused facilitation process in order to stimulate

demand. This process has been outlined in the Project's sub-project cycle as part of the mobilization phase. At the community level, gender equity is taken on board by ensuring at least 50% female membership in the Community Project Committees.

The overall result is in Table 2. Detailed tables and discussions can be found in the Project's Operational Manual.

**Table 2. Indicative Project Resource Allocation**

	Sub-Region	New District	Old District	CDI Resource Allocation	VGS Resource Allocation	CPB&CM Resource Allocation	Project Resource Allocation	Population Projection June 2001, UNHS 2001	Approximate Per Capita Adjusted Allocation (\$) for Project
Project Fund Allocation				78.7%	19.0%	2.3%	100.0%		19.6
3	Acholi	Pader	Kitgum	5.0%	4.1%	6.2%	4.9%	261,629	22.9
2	Acholi	Kitgum	Kitgum	9.8%	9.8%	12.2%	9.9%	514,600	23.7
5	Karamoja	Nakapiripirit	Moroto	2.5%	2.1%	2.7%	2.4%	131,933	22.8
6	Karamoja	Moroto	Moroto	3.1%	2.6%	3.4%	3.0%	164,667	22.8
4	Karamoja	Kotido	Kotido	4.5%	4.1%	5.3%	4.4%	257,200	21.3
9	Teso	Kumi	Kumi	6.6%	4.8%	3.0%	6.2%	376,200	20.2
12	Teso	Katakwi	Soroti	4.2%	4.6%	5.7%	4.3%	240,586	22.2
10	Teso	Pallisa	Pallisa	8.5%	6.2%	3.8%	8.0%	485,600	20.2
11	Teso	Kaberamaido	Soroti	2.2%	1.9%	1.8%	2.1%	135,661	19.1
13	Teso	Soroti	Soroti	5.4%	4.9%	4.6%	5.3%	339,852	19.1
7	Lango	Apac	Apac	9.2%	8.3%	7.8%	9.0%	578,000	19.1
8	Lango	Lira	Lira	9.5%	9.6%	9.0%	9.5%	666,300	17.6
15	West Nile	Yumbe	Arua	1.9%	1.9%	2.8%	2.0%	134,875	17.9
14	West Nile	Arua	Arua	12.4%	13.7%	11.6%	12.6%	862,200	18.0
18	West Nile	Nebbi	Nebbi	5.7%	5.7%	3.6%	5.7%	447,900	15.6
17	West Nile	Moyo	Moyo	1.3%	1.8%	2.1%	1.4%	102,184	17.1
1	Acholi	Gulu*	Gulu*	6.2%	9.2%	11.5%	6.9%	483,900	17.5
16	West Nile	Ajumani	Moyo	1.6%	2.4%	2.6%	1.7%	123,916	17.4
								6,307,203	

\* Note: The Advisory Group suggested that Gulu District be considered separately as a special case due to the high percentage of the displaced population living in camps. The explanation for Gulu's high ranking is most likely due to the high cost of living, as well as the displaced population camping in areas where service is more accessible. This situation should be taken into account when CDI interventions are being planned.

*Follow-up Work:* This work will be continuously updated and fine-tuned by NUSAF Management Unit and the OPM, with guidance from the Advisory Group, as further information and data become available. In addition, Districts should elaborate on this work by using district and community level data at their disposal, which is objective and transparent (e.g., access to services, conflict, vulnerability, and poverty) to further target their neediest communities and areas.

**Annex 5: Financial Summary**  
**UGANDA: Northern Uganda Social Action Fund**

Years Ending  
June 30

	IMPLEMENTATION PERIOD						
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
<b>Total Financing Required</b>							
<b>Project Costs</b>							
Investment Costs	1.7	14.4	25.5	37.5	37.6	13.5	0.0
Recurrent Costs	0.0	0.7	0.7	0.7	0.6	0.6	0.0
<b>Total Project Costs</b>	1.7	15.1	26.2	38.2	38.2	14.1	0.0
<b>Total Financing</b>	1.7	15.1	26.2	38.2	38.2	14.1	0.0
<b>Financing</b>							
IBRD/IDA	1.5	11.4	19.6	28.5	28.5	10.6	0.0
Government	0.2	1.7	2.6	3.7	3.7	1.5	0.0
Central	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Provincial	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Co-financiers	0.0	0.0	0.0	0.0	0.0	0.0	0.0
User Fees/Beneficiaries	0.0	2.0	4.0	6.0	6.0	2.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Project Financing</b>	1.7	15.1	26.2	38.2	38.2	14.1	0.0

Numbers may not add up due to rounding.

Recurrent cost includes administrative cost for NUSAF Management Unit.

**Financial Management**

**COUNTRY ISSUES**

In recent years, significant improvements in public sector accounting and reporting have been achieved. Most notably, the annual public accounts of Government have been produced within the statutory period of four months after the end of the financial year for each of the past four years. Nevertheless, recent assessments undertaken by Government jointly with donors, such as the Country Financial Accountability Assessment (CFAA) that was carried out by IDA in collaboration with the GoU, have identified a number of areas that need to be strengthened to enhance financial management. The CFAA indicates that inadequate financial accounting and auditing systems both at the center and in the districts pose a major fiduciary risk. While Uganda has a relatively good budgeting system, accounting for public expenditure using the present manual system is weak, largely because of weak staff capacities, neglect for timely and regular recording of transactions, side-stepping of controls, and a lack of financial discipline. It was noted during the CFAA that findings of audit reports were not regularly followed up and public accounts contained a number of material non-reconciled balances. There is an acute shortage of qualified accountants in the public sector. With the support of a number of donor assisted initiatives, such as the Second Economic and Financial Management Project (EFMP II) and the Local Government Development Project (LGDP) supported by IDA, and the Financial Accountability and Decentralization Support Project funded by DFID, Government is seeking to rapidly enhance the financial accountability framework in order to: mitigate fiduciary risk in public expenditure management; achieve economy, efficiency and effectiveness

in the use of public funds; enhance transparency and accountability; enhance staff capacity in public financial management; and to establish an appropriate enabling environment for private sector development and regulation.

### SUMMARY RISK ANALYSIS

The objectives of the project's financial management system are: to ensure that funds are used only for their intended purposes in an efficient and economical way while implementing agreed activities; to enable the preparation of accounting and financial management system that enables management to monitor the efficient implementation of management; and to safeguard the project assets and resources.

The financial management system should also support NUSAF's requests for funding and meet its reporting obligations to IDA, Government of Uganda and the communities it serves. The table below identifies the key risks that management may face in achieving these objectives and provides a basis for determining how management should address these risks.

<i>Risk</i>	<i>Risk Rating</i>	<i>Risk Mitigation Measures</i>
Staff capacity may not be sufficient to implement all the control procedures as intended at District level (accounting, internal audit and inspection)	H	NUMU to provide for high quality technical support to project committees with the provision of closer backstopping and follow-up. It is to retain option of contracting out accounting and internal audit services. It will also ensure the recommendations of the semi-annual capacity assessments carried out under LGDP aimed at strengthening this capacity are carried out.
Approval of funds may be delayed due to political considerations	N	NUMU establish clear guidelines for the approval of sub-projects. Sub-projects above a certain threshold will require central approval.
Funds, especially those for community sub-projects, may not be used in an efficient and economical way and exclusively for purposes intended.	M	NUMU to establish: an internal control system; separate accounts for project funds; proper authorisation procedures before project expenditure is incurred; procedures for preparation of budgets and monitoring of budgets, reporting on expenditures; and internal audit verification of expenditures. Sub-project accountability guidelines to be issued. The NURP II Policy Committee and the National Steering Committee to provide overall policy and implementation guidance in the usage and stewardship of project funds. Communities to be involved in the monitoring process.
Financial Information may be unreliable	N	Formats and periodicity of reporting to be determined. Verification of expenditures and of the information contained in periodic reports to be carried out internally and externally.
Insufficient counterpart funds especially in light of the poor local revenue base	N	Counterpart funds deposited before donor funds can be disbursed
Ignorance of procedures and organisational rules by implementing entities	N	Internal control procedures to be documented in the form of handbooks and guidelines and these, including

		those in simplified forms for communities, will be widely circulated.
Slow speed of delivering resources to communities and their structures	H	Performance benchmarks for the speed of transfers will be established and remedial actions taken as required. Funds to be transferred directly from NUMU to implementing agencies where the risk is highest.
Inadequacy of mechanisms used to identify community needs may leave communities out of many decision-making processes	M	Participatory planning approaches to be used in developing sub-projects. NUMU to provide for support to district planning functions.
<i>Risk Rating – H (High Risk), S (Substantial Risk), M (Modest Risk), N (Negligible Risk)</i>		

## PLANNING, BUDGETING AND APPROVAL OF WORKPLANS

NUMU will have the responsibility of ultimately ensuring that the plans and budgets of project activities are realistic and based on valid assumptions. The DTTC shall coordinate and integrate all the sectoral plans of lower level Local Governments for presentation to the District Executive Council (DEC), which is the executive and ultimate planning authority in the district. The DTTC is chaired by the CAO and consists of the Heads of Department of the district administration and other technical people co-opted by the CAO. The budgets and workplans will lay down physical and financial targets and will be used to monitor actual subsequent performance.

At the community level, sub-project plans will be generated by the communities with the help of a facilitator. Where capacity for generation of these plans is weak, the task will be undertaken by designated CSOs/CBOs. Proposals for funding the sub-projects identified will be forwarded to the STPC or DTTC for appraisal and approval and to the District Executive Committee (DEC) for endorsement. Once approved, the proposals will be forwarded to NUMU for funding. Multi-community sub-projects above US\$20,000 up to US\$50,000 threshold will be subject to approval by NSC per the recommendations of NUMU.

In their review, NUMU will ensure conformity of all budgets/workplans with NUSAF policies, guidelines and legal agreements. Specifically, NUMU will: (a) communicate planning & budgeting policy; (b) enforce timely delivery of budget proposals; (c) review submitted budgets for adequacy and suggest improvements where necessary; (d) consolidate all budgets into a master budget; (e) submit workplans and cashflow forecasts to IDA to secure the necessary approvals; and (f) monitor, evaluate and report on performance against budgets as a management tool.

NUMU will especially see to it that workplans and funding proposals submitted by the actors for funding assistance are consistent with NUSAF objectives and that budgets are realistic. NUMU shall promptly communicate to implementers confirming approvals and any amendments (if applicable) as soon as IDA has approved the annual workplans.

## FLOW OF FUNDS

### Bank accounts

The following bank accounts will be maintained by NUMU for NUSAF funds:

- A Special Account denominated in US dollars to serve as the main project account into which will be deposited project implementation funds from IDA.
- A Counterpart Fund Account denominated in Uganda shillings to channel GOU counterpart funds.

The accounts will be maintained in a commercial bank acceptable to IDA and their signatories will be determined and documented in the FMM.

In addition to these, every participating district shall establish a separate bank account for the project to be used exclusively for project funds in accordance with Local Government regulations. NGOs/CBOs and CPMCs will also be required to open bank accounts purposely for project funds.

### **Memorandum of Understanding (MOU)**

Each Local Authority, CSO/NGO/CBO and private sector agency supported by the project shall enter into an MOU with the NUSAF regarding obligations and responsibilities of either party. In addition, the LA, CSO/NGO/CBO and private sector agency would also enter into a Sub-project Agreement (to be witnessed by the NDTO with the respective multi-community/community for the implementation of the sub-project. A valid MOU will be a requirement for both initial and subsequent disbursements to a LA, CSOs/NGOs/CBOs and private sector agency.

In addition, each community, represented by its CPMC, with a sub-project supported under the project shall enter into a Sub-project Agreement with NUMU represented by the NDTO regarding obligations and responsibilities of either party with respect to project implementation and management.

The agreements shall specify the number and size of tranches through which sub-project funds will be disbursed and the period in which reports on the usage of these funds will be prepared and submitted by the respective sub-project implementing agencies.

### **Disbursement of IDA Credit to NUMU**

The disbursement of the IDA Credit will be done quarterly based on Financial Monitoring Reports (FMRs) that integrate project accounting, procurement, contract management, disbursement and audit with physical progress of project implementation. The FMRs will include project financial reports, a project progress report and a procurement management report .

An initial six month forecast of project expenditures will be agreed between the NUSAF and the Bank. This will cover the first two quarters, i.e the first two FMR periods. Following this agreement, an advance relating to aggregate disbursement requests not exceeding the forecast amount will be payable by the Bank upon demand by NUSAF. After the first and each subsequent quarter, the project will submit to IDA FMRs and relevant supporting documentation (see below) relating to each disbursement. IDA will be responsible for reviewing these to confirm the eligibility of expenditures during the period covered by the FMR. Through their review, IDA will also ensure that internal controls as documented in the Financial Management Handbook have reasonably been applied by NUMU in their disbursement of funds to implementing agencies. The FMR will also contain a new forecast for the next two FMR periods. The cash request relating to each FMR will be the amount indicated in the approved cashflow forecast for the following six months less the balance in the Special Account at the end of the FMR period. Subsequent disbursements of the IDA Credit will therefore be made in respect of similar cash requests.

Additional supporting documentation relevant to each FMR includes: statements containing institutional information; source of supply information; breakdown of aggregate disbursements by legal disbursement category and disbursement percentage; a Special Account reconciliation statement; a Special Account bank statement. Information relating to details for contracts above the prior review threshold as indicated above

will be captured using World Bank standard contract information documents upon the inception of the contract and will not therefore be required upon the preparation of the periodic FMR.

### **Disbursement of funds from NUMU to implementing agencies**

The experience of several projects which have tried to channel resources to communities through Local Government structures, as well as the findings of the surveys carried out in the five sub-regions, have identified four major constraints in transferring funds to communities: delivering resources to communities is slow; the proportion of resources taken up by structures meant to promote delivery is unsustainably high; the services delivered are not always relevant to the needs of the poor; and the mechanisms used to identify community needs are poorly developed and communities are left out of many decision-making processes.

To address these, NUSAF and the implementing agencies will develop resource targets for the speed and cost of delivery of funds and the proportion reaching communities. It is expected that the participatory planning tools being formulated under the leadership of the Ministry of Local Government will adequately address the concerns over relevance and inclusiveness of targeted beneficiaries. Depending on the achievement of these targets by districts, NUSAF will disburse funds to implementing agencies using three mechanisms:

**Mechanism 1:** Funds will be disbursed from NUMU to the district for Multi-Community projects whose implementation will be the responsibility of the District,

**Mechanism 2:** Funds will be disbursed from NUMU to CSOs including NGOs/CBOs for projects targeted at vulnerable groups and CRCM, and

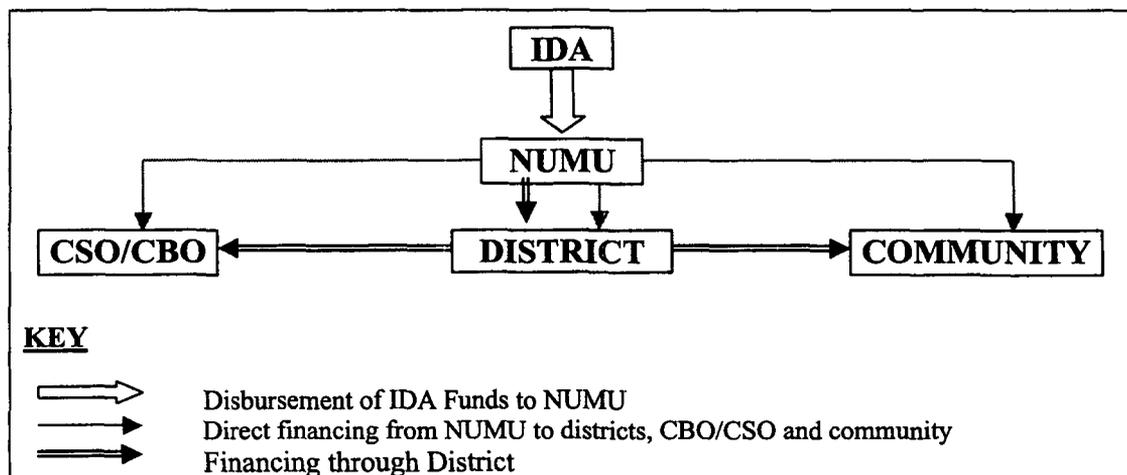
**Mechanism 3:** Funds will be disbursed from NUMU directly to Community Project Management Committees (CPMCs) elected by communities to manage discrete community sub-projects like a classroom block, protected well, granary, etc.

The capacity of districts to meet the targets will be tested when they implement multi-community projects that require complex management systems. As implementation proceeds, those districts that meet the targets in the way they deliver sub-projects will be ready to incrementally take over the disbursement of funds to community sub-projects under Mechanism 1 above.

CSOs/NGOs and CBOs identified to assist vulnerable groups will initially receive funds directly from NUMU (once their plans have been approved by the DTTC and endorsed by the DEC on behalf of the District Council); and use the experience to promote more CBO/NGO-Local Government accountability.

Communities whose projects have been approved by LAs will receive funds directly from NUSAF until the district under whose area of jurisdiction they fall has met the resource benchmark targets. Until then, the CPMCs will receive and account for resources to NUMU and keep the districts informed.

The mechanisms for disbursement can be illustrated as follows:



The procedures which will be used to disburse funds to the implementing agencies shall be detailed in the Financial Management Handbook (FMH). These will describe the triggers for the release of funds at the various stages, the timing and periodicity of these disbursements and the accountability required in respect of these disbursements.

#### *Mechanism 1*

NUSAF funds shall be deposited in the District's NUSAF account by NUMU to fund sub-projects approved by the DEC that fall into the multi-community category. The CAO will maintain a separate NUMU holding account into which the funds will be transferred and from which payments into the individual respective sub-project accounts will be made as their implementation proceeds. The NDPO, the respective sector specialist under which the sub-project falls as well as the Chairperson of the CPMC for the requesting community will certify implementation progress before tranche payments can be made. The district will be expected to release the funds to the implementing agencies within fourteen days of receiving the funds from NUMU. This schedule shall apply provided districts have received the funds.

As districts progressively incorporate efficient and effective modalities demonstrated by the other two mechanisms, more funds will be disbursed to the district for district implemented activities and, where circumstances allow, for onward transmission to communities.

Communities are responsible for implementing subprojects and making payments to the contractors and suppliers. Thus, disbursements will be made directly to the bank accounts opened in the name of the community sub-project by the implementing agency (IA) or CPMC.

The initial disbursement will be made upon receipt by NUMU of a Request for Funds (RFF) from the districts based on the approved list of sub-projects indicating the mode of execution. This will be a consolidation of RFFs from communities with the districts' own funds requirement. For multi-community sub-projects, NUMU will release funds directly to their sub project bank accounts. NUMU will release all funds for sub-projects in tranches typically of 50%, 35% and 15% of total sub project costs as indicated in

the district's workplans. The number of tranches and amount of release per tranche will be as specified in the sub project agreements.

Disbursement of the 1st tranche will be made upon receipt of sub-project funds from NUMU while the second and third installments will be disbursed after the NDPO's office has received: a statement of expenditure so far incurred accompanied by the relevant documents and a reconciled bank statement (if applicable); a brief report on planned and actual progress with relevant minutes/records of community meetings; and a workplan for the next phase.

The second installment will only be released after the sub-project has accounted for at least 70% of the first installment. The third installment will only be disbursed if at least 70% of the second installment and 100% of first installment has been accounted for.

Before disbursement of the third (final) installment, the NDTO in collaboration with the CPMC, LAs, CSOs/NGOs and CBO shall undertake a re-assessment of the remaining requirements for completion of the sub project and revise the budget accordingly.

Where a district has performed to the set targets, more resources would be allocated through the LA and disbursement of funds to communities will be progressively made by the CAO or his representative after they have received: (a) a summary of the sub-project approval report signed by the NDTO; (b) details of the bank account or other acceptable options for keeping funds; and (c) a work-plan for the first phase.

The second and third installments will be disbursed after the NDTO has forwarded for the clearance by the justification officer: (a) a statement of expenditures and accompanying relevant documents of all purchases made by the IA or community committees; (b) a bank statement for the sub-project which reconciles these expenditures; (c) a brief report on planned and actual progress, and (d) a work-plan for the next phase. Before disbursement of the third (final) installment, the NDTO in collaboration with the IA or CPMC shall undertake a re-assessment of the remaining requirements for completion of the sub-project and revise the budget accordingly. This will address over or under expenditures arising out of inflation and incorrect pricing at the time of project design, appraisal and approval.

### *Mechanisms 2 and 3*

Under these mechanisms, funds will be directly disbursed from NUMU to the CSOs/NGOs/CBOs and communities bank accounts. The triggers for the release of funds and the tranching of disbursements will be similar to those under Mechanism 1.

Communities are responsible for implementing sub-projects and making payments to the contractors and suppliers. Thus, disbursements will be made directly to the bank accounts opened in the name of the community sub-project by the implementing agency (IA) or CPMC.

### **Counterpart Funds**

The GOU will provide counterpart funds amounting to 10% of the total project costs. These funds are allocated annually, indicated quarterly, and released monthly based on approved workplans. The project will submit quarterly accountability statements to GoU.

In addition, GOU will fund the staff costs of the OPM staff who provide support to the project, including the Permanent Secretary who is the Chairman of the National Steering Committee (NSC). The role of the

NSC is to provide overall implementation and management guidance, coordinate sector linkages, and approve NUSAF budget, annual workplans and sub-projects. It is comprised of government officers and civil society whose costs constitute indirect costs met on behalf of the GOU. At the district and sub-county levels, the district and sub-county technical staff will perform various appraisal, approval and supervision functions with the support of communities throughout the sub-project cycle. Their staff costs will be paid for by the LAs and will constitute an indirect contribution on behalf of GOU. The DEC meets up to six times a year initially to endorse approved sub-projects and forwards them to Council for notation. The technical staff are full time staff of LAs whose salaries add to the indirect cost contribution of GOU. In addition, OPM and LAs will provide office space for both NUMU (located in a region to be decided on) and the eighteen district NUMU office space needs. The estimated level of indirect financing borne by central government and local government organs will amount to at least 8% of total project costs which should be adequate to cover the indirect tax element of the project.

### **Community Contribution**

Communities will be expected to contribute 20% for CDI and 5% for VGS and CRCM. Guidelines will be formulated for the recording and valuing of the labor contribution and other contributions-in-kind. These will be detailed in the Sub-project operational manuals and handbooks.

### **Remedies against non-submission of returns and other financial information**

IDA will have the right, as reflected in the Development Credit Agreement, to suspend disbursement to NUMU if reporting requirements are not complied with. Similarly, Participating agreements will grant a right of suspension to NUMU and the district if proper supporting documentation is not submitted from lower levels of implementation as required.

## **DETAILED FINANCIAL MANAGEMENT PROCEDURES**

### **Accounting policies and procedures**

The project's accounting policies will specify the accounting treatment for its financial transactions and will constitute basic principles designed to ensure that the accounting records are complete, relevant and reliable and that accounting practices are followed consistently. The accounting policies and procedures will be documented in a Financial Management Handbook. The relevant accounting procedures pertaining to NGOs, CBOs and communities will also be documented in the respective Community Sub-project Handbook. These procedures should be designed to guide activities and ensure accountability for NUSAF funds. Proper guidelines will be put in place to ensure that only authorized persons can alter or establish a new accounting principle, policy, or procedure to be used by the entity. The handbooks will be distributed widely within the NUMU accounting department, districts, NGOs/CBOs and to the community as required.

The accounts will be prepared on a cash basis in accordance with International Accounting Standards. NUMU will have an accounting system that allows for the proper recording of project financial transactions, including the allocation of expenditures in accordance with the respective components, disbursement categories, and sources of funds. Controls over the preparation and approval of transactions should be put in place to ensure that all transactions are correctly made, recorded and reported upon. A list of accounts codes (Chart of Accounts) should also be drawn up. This should match with the classification of expenditures and sources and application of funds indicated in the Credit Agreement. The Chart of accounts should be developed in a way that allows project costs to be directly related to specific work activities and outputs of the project.

Systems of internal control for NUSAF will be designed to ensure that: every transaction that should have been entered into the accounting system is recorded; unauthorized transactions are prevented; transactions are analyzed and recorded correctly; , cannot be tampered with; unauthorized access is denied; assets of the entity are neither misappropriated nor used in an uneconomical or inefficient fashion; management policies (in budgets, long-range forecasts etc.) are complied with; deviations from plans are noted, investigated and timely responses made; financial information is communicated in the most effective way so that those entitled to it may maximize their use of it; and the financial statements show a true and fair view.

Internal control systems will be fully documented, and regularly updated, in the FMH.

Financial management and accountability under the NUSAF can be traced from the national, district right down to the community levels.

*At national level*, the Director of Finance and Administration (DFA), supported by an accountant, and the NUSAF Executive Director (NED) will ensure implementation of well-defined and transparent financial management and reporting procedures to be followed by districts and communities. Details of the procedures will be outlined in the Financial Management Handbook. Both the DFA and the NED will be responsible for the preparation of quarterly and annual financial statements or reports reflecting all district NUSAF transactions.

*At district and sub-county levels*, suitable procedures for disbursing and accounting for community funds will be adopted and managed by the Accounts Assistant (AA) in the NDTO's office. The system to be followed by the CPMC and CSO/NGO or private agency, shall be simple enough to be used and maintained by the community with minimum assistance from the AA and at the same time meet NUSAF and IDA requirements. However, the records of funds utilized shall be maintained in accordance with sound accounting practices. The NDTO's office will provide the necessary support to facilitate speedy justification of expenditures and tranching as well as submit periodic reports to the CAO.

*At the community level*, the CBO/CSO or CPMC financial management and administration needs will be identified and members of the community shall be trained in the maintenance of accurate accounts for the funds utilized. This will partly be done during the sub-project launch. The training materials for the community level shall contain information on simple accounting approved by the accounting specialists within IDA.

### **Staffing**

Adequate staffing arrangements will be put in place to ensure that NUMU has appropriately qualified and experienced staff. Written position descriptions that clearly define duties, responsibilities, lines of supervision, and limits of authority for all the officers, managers, and staff will be drawn up and reflected in the accounting department's organization chart. The duties and responsibilities of the accounting staff will be determined and documented. An appropriate training programme which will include World Bank financial management procedures will be designed for staff. The allocation of responsibilities should enable the appropriate segregation of duties to ensure proper accountability.

### **Books of accounts**

Books of accounts will be set up and regularly maintained to record project transactions. These will include a general ledger, cashbook and subsidiary ledgers. A proper filing system that allows authorized users easy access will be set up to ensure that all accounting and supporting documents are retained on a permanent

basis and properly maintained. Each supported community subproject committee will keep a simplified cashbook and/or ledger, a register for procured goods, and a statement of community contribution. Original documents of accountability for all sub-project activities will be maintained by project staff at the relevant district offices.

### **Financial Reporting**

Formats of the various periodic financial reports to be generated from the financial management system will be developed. There will be clear linkages between the information in these reports and the Chart of Accounts. The financial reports will be designed to provide quality and timely information to project management, implementing agencies, and various stakeholders on project performance. The Financial Management Handbook will define financial management reporting responsibilities, the reports to be prepared, their content and how they are to be used.

FMRs will be produced on a **quarterly** basis to support requests for replenishment of the Special Account and will include financial, project progress and procurement management reports. Annual financial statements and annexes for the project will include: a statement of sources and uses of funds, notes in respect of significant accounting policies and accounting standards, a special account statement, a special account reconciliation, project progress report, and a Summary of FMR based credit withdrawals. Indicative formats of these statements will be developed in accordance with IDA requirements.

### **Information systems**

The accounting system for NUMU shall be computerized. It will enable the production of the necessary project financial reports. Accounting staff will be adequately trained to maintain the system and appropriate controls will be instituted to safeguard the confidentiality, integrity, and availability of the data.

### **Audit Arrangements**

#### *Internal Auditing*

As an important part of the ongoing monitoring of the system of internal controls, the internal audit function will provide an independent assessment of the adequacy of, and compliance with, the established controls, policies and procedures. The Internal Audit Department will report directly to the Steering Committee or its audit committee, and to senior management in order to ensure that the information about project activities is unbiased. The Internal audit Department will be staffed with competent, well-trained individuals who have a clear understanding of their role and responsibilities. The frequency and extent of internal audit review and testing of the internal controls will be consistent with the nature, complexity, and risk of NUSAF's activities. Project management will be expected to correct the deficiencies in a timely manner. In order to ensure proper and timely follow-up action, NUMU will establish a system to track internal control weaknesses and actions taken to rectify them.

Internal audit arrangements relating to communities and local governments will be executed as provided for in the Local Government Financial and Accounting Regulations. Reliance shall be placed on the District Internal Auditor with respect to funds provided by NUSAF for activities implemented in the district. A Local Government Internal Audit Manual was issued in January 2000 and includes guidance to Local Government Internal Auditors on the objectives and procedures of internal audit engagements in local governments. Arrangements will be made within the NUSAF institutional setup to complement district internal audit capacity where necessary. NUMU will also make arrangements to monitor compliance with

procedures in the use of funds for community sub-projects and performance benchmarks maintained by communities for directly-funded sub-projects

Internally, the District Internal Auditor supported by the NUMU Internal Auditor will conduct regular audit verification of sub-project transactions to ascertain whether individual expenditure is eligible for financing under the project and fully supported by adequate documentation. Furthermore, they will ensure that supporting documents are reliable and accurate. District internal audit reports will be prepared and submitted to the District NUMU officer and to the NUMU internal auditor. Technical supervision and financial audits carried out regularly by the technical district staff and the internal auditors will be used as part of monitoring and evaluation exercise, and may also be used as basis for further fund releases to the districts and communities.

The internal auditor based at NUMU will conduct spot and year-end financial audits in some randomly selected communities. Technical and financial audits will also be carried out regularly by the district internal auditors. In addition, NUMU will contract an outside evaluator to conduct year-end process and performance audits in some randomly selected sub-projects.

#### *External Auditing*

The Auditor General is primarily responsible for the auditing of all government projects and provision is made in the project budget to cover the cost of the audit. The audit may be subcontracted to a firm of private auditors, with the final report being issued by the Auditor General based on the tests carried out by the subcontracted firm. The external auditor will conduct a year-end audit and review both financial and performance aspects in some randomly selected sub-projects based on TOR cleared by the Bank.

Local Governments are also bound by law to prepare and cause to be audited their accounts and financial statements. Where funds are disbursed to districts for onward transmission to implementing agencies or for district implemented activities, these will be reflected in the financial statements of the relevant district which will be subjected to audit in accordance with the governing law. The audited financial statements of NGOs and other implementing agencies will be examined as part of the process to determine their continuing suitability to implement sub-projects under NUSAF.

Arrangements for the external audit of the financial statements of the project will be determined and communicated to IDA. The audited financial statements together with the auditor's report thereon and the auditor's management letter covering identified internal control and accounting system weaknesses will be submitted to IDA within six months after end of each financial year. Any firm of auditors subcontracted to carry out the audit should meet the IDA's requirements in terms of independence, qualifications and experience.

## FINANCIAL MANAGEMENT ACTION PLAN

Issue	Remedial Action Recommended	Due Date
Documentation of Financial Management procedures	A Financial Management Handbook will be developed describing accounting systems and procedures for the project and the format and content of monthly/quarterly and annual financial reports.	September 30, 2002
Staffing	Suitably qualified and competent key staff for overall coordination, financial management and procurement should be appointed for NUMU	September 30, 2002
Reporting Arrangements	A reporting structure for both internal management and external needs will be developed and will comprise Financial Monitoring Reports (FMRs) which will be determined and agreed with IDA.	September 30, 2002
Project Accounting System	The accounting system should be fully computerized in order to keep track, collect and provide information on approved budgets, procurement, expenditures, sources of funds and outputs, measured by monitoring indicators	January 31, 2003
Chart of Accounts.	A Chart of Accounts should be designed to provide information that reflects type of project, sources of funds, and the relevant expenditure accounts that is consistent with expenditure categories in the DCA, project components and sub-components and activities	September 30, 2002
Training and Development of Accounting Staff	A training program should be developed for accounting staff in NUMU, districts and other implementing entities. The training program should cover World Bank financial management policies and procedures. An implementation plan for skills development should also be developed.	March 31, 2003  March 31, 2003
Monitoring and Evaluation System	Monitoring arrangements should be put in place, and clear remedial actions should be taken in the event of non compliance with established procedures.	September 30, 2002
Terms of Reference for the external auditors	Terms of Reference for the audit of the project's financial statements will be prepared and agreed with IDA.	March 31, 2003

### Main assumptions:

## **Annex 6: Procurement and Disbursement Arrangements**

### **UGANDA: Northern Uganda Social Action Fund**

#### **Procurement**

##### **General**

A Country Procurement Assessment Report (CPAR) was completed in February 2001. The CPAR makes six major recommendations: (a) revising the existing procurement regulations to make them more transparent, efficient and economic; (b) abolishing the current Central Tender Board (CTB) and creating a procurement regulatory body, the National Procurement Policy Unit (NPPU) - Renamed the Reformed Central Tender Board (RCTB); (c) creating contract committees in all procuring entities; (d) creating procurement units in all procuring entities; (e) employing procurement agents to support all those procurement entities without adequate capacity; and (f) promulgating a procurement law based on the UNCITRAL model.

Implementation of the above recommendations started officially on March 1, 2001, when new Procurement Regulations, "*The Public Finance (Procurement) Regulations, 2000*", became effective. On the same day, the CTB ceased to exist in its old form with its functions being taken over by contract committees established in each ministry/procuring entity. Each procuring entity is now completely responsible and accountable for all its procurement. The RCTB should have been operational on the same day but there were delays in appointing the Board and recruiting top officials of the Secretariat. The RCTB was fully operational on September 1, 2001. A draft procurement law based on the UNCITRAL model has been drafted and will be submitted to Cabinet soon. The plan is to present the bill to Parliament by April 15, 2002. In the meantime, the new Regulations will continue as the legal instrument for controlling procurement in public entities. Implementation of the recommendations started under PRSC1 and is continuing under PRSC2.

The CPAR identified the lack of adequate procurement capacity as the single most important issue in public sector procurement in Uganda. This has been confirmed in another study carried out in 70 procuring entities at Central and Local Government level. One of the interim solutions that is suggested in the CPAR is the employment of consultants to assist weak procurement units.

The exact mix of goods and services to be procured under the three NUSAF components, CDI, VGS and CRCM will depend on the community prioritized sub-projects and is not known 'a priori'. Whereas the type of activities to be financed under the project have been defined, the specific procurements (goods, works and services) to support these activities have yet to be defined precisely. This is particularly true for procurement to support activities at the sub-county/multi-community and community levels (more than 80% of the total program) which will be demand driven and determined by the approvals as carried out by the DTPCs and endorsed, on a quarterly basis when the District Executive Committee meets. CPMC will take primary responsibility for procuring for community sub-projects while the local authorities (LAs), civil society organizations (CSOs)/ NGOs and private sector will do the same for the sub-projects that they implement and manage on behalf of the communities respectively. Other procurement such as technical assistance (TA) and training, are agreed based on the needs identified for the first year, while the costs for subsequent years are only indicative and based on a pre-determined menu of activities that will guide preparation of sub-projects.

All goods and services would be procured in accordance with "*Guidelines: Procurement under IBRD Loans and IDA Credits, January 1995, revised January and August 1996, September 1997, and January*

1999". Bank's standard bidding documents for works and goods and standard evaluation forms would be used where practicable. Based on these Guidelines, simple procurement procedures for application at the community level would be developed in accordance with Section 3.15 - Community Participation in Procurement, as part of the OM and supporting Procurement Handbook. Procurement by the LAs under the multi-community sub-projects would follow their guidelines as outlined in the OM, provided the same are consistent with the IDA ones. All procurement of consultant services would be done in accordance with "Guidelines: Selection and Employment of Consultants by World Bank Borrowers, January 1997, revised in September 1997 and January 1999." Bank's Standard Requests for Proposals and evaluation forms would be used where practicable.

### **Procurement Planning and Monitoring**

A General Procurement Notice (GPN) is mandatory and must be published in the UN Development Business and in a national newspaper as provided under the Guidelines, immediately after negotiations. The GPN would be updated on a yearly basis and would show all outstanding International Competitive Bidding (ICB) for goods contracts and all International Consulting Services. Specific Procurement Notices for goods to be procured under ICB and Expressions of Interest for consultant services estimated to cost the equivalent of US\$200,000 and above will also be published in the Development Business. Details on project costs by procurement arrangements are presented in Table A.

Monitoring and evaluation of procurement performance at all levels (national, district and community) will be carried out through annual *ex-post* procurement audits and regular ad-hoc reviews. Such audits would:

- (a) verify that the procurement and contracting procedures and processes followed for the projects were in accordance with the Development Credit Agreement (DCA);
- (b) verify technical compliance, physical completion and price competitiveness of each contract in the selected representative sample;
- (c) review and comment on contract administration and management issues as dealt with by participating agencies;
- (d) review capacity of participating agencies in handling procurement efficiently; and
- (e) identify improvements in the procurement process in the light of any identified deficiencies.

Monitoring of procurements shall start with setting up procurement indicators at NUMU, district and sub-project levels. This will be done in consultation with the communities concerned. The team entrusted with monitoring shall use the established indicators to assess whether the quality of the goods, works and services procured matches the funds spent.

The supplies officer at the district will monitor and coordinate the procurement activities in collaboration with sub-county authorities. This will be achieved through special field visits to each sub-project and assessments of procurement procedures followed by the CPMC, LA and CSO/NGO at least once in every quarter.

### **Price Data Bank**

NUMU will develop and maintain a data base of sub-regionally specific market prices, e.g. West Nile,

Karamoja, Teso, etc., as part of the cost control system and to assure that contract selection is transparent and economic. The data would include costs and rates for at least 40 of the most commonly required items based on project costs during the previous three months, or from a random sample of suppliers and employers. Such unit prices would be updated at least on a quarterly basis. Unit prices of the other required items would be updated on a rotational basis, to be updated at least twice a year. The data would be used in appraisal and monitoring, as a tool to review the project budget and as a guide when procurement is done through the LAs, CSOs/NGOs and the private sector. Details of the methodology for preparing the data base would be provided in the OM.

### **Procurement Management**

NUMU will be responsible for procurement of goods and consulting services that will be provided at the management unit (MU) and district offices. A procurement specialist will be appointed at NUMU whose function would be to oversee all procurement. The specialist will develop the standard documents for use in all procurement and ensure that relevant procurement forms are made available, train participating staff from districts/NGOs/CBOs and private sector, and CPMCs, in completing the forms and periodically review procurements for compliance with the guidelines. Even though the LAs would use their own procedures to procure within the agreed ceilings, the specialist would ensure that these procedures are consistent with the IDA ones.

At the district level, a NDTO will be responsible for the coordination of the project activities under the day to day supervision of the CAO. The projects officer, who sits in the planning office, remains technically accountable to NUMU. For procurement matters, the NDTO will rely on the procurement specialist for advice.

An OM, Procurement and Financial Management Handbooks are being prepared in which the details of procurement, including standard forms to be used, are outlined. The OM and handbooks are living documents which will be updated as new lessons are learnt, subject to agreement between GOU and IDA.

### **Community Procurement**

#### ***Community Development Initiatives***

The CPMC is responsible for procuring all the human and material resources necessary for the implementation of the community sub-projects under the CDI. The CPMC shall follow the tender procedures for community procurement when procuring goods and hiring labor.

The NDTO/NUMU through the district shall provide the necessary training to the CPMC members in procurement, disbursement and accounting principles before receiving the funds to enable them carry out the procurement function in a manner acceptable to the Government and the World Bank. Sub projects implemented by more than one implementing agency (i.e. the CPMC and CSO) shall form a procurement committee composed of both CPMC and CSO representatives (with the majority being from the CPMC), and the members of which must be named in the Sub-project Agreement. Such a committee shall be given copies of these procedures translated into local language.

Since the CPMCs are entrusted with the management of sub-projects under the CDI, they will constitute a small Procurement Committee consisting of members from the CPMC, the community and its leaders. All members of the CPMC will be trained in procurement, disbursement and accounting principles before

receiving the funds to enable them to be aware and rotate. The members of the procurement committee, which should be gender balanced, shall be named in the financing agreement signed by the chairperson of the CPMC on behalf of the community. The sub-projects under CDI would be mostly small, labor-intensive, community based activities such as construction of classrooms, teachers' houses, community roads, granaries, water wells, dug-out ponds, valley tanks, etc. It's unlikely, therefore, that these activities would attract international bidders. The average size of the sub-projects would be US\$20,000, approval of which is by the District Steering Committee (DSC).

### ***Vulnerable Groups Support (VGS)***

Under the VGS, CSOs/NGOs and the private sector would support the disadvantaged groups improve their earnings and quality of life through providing them with life-skills, tool-kits to work on sub-projects, promotive care for people living with and affected by HIV/AIDS, support to orphans, etc. Community groups would still identify and prioritize the sub-projects to be implemented with the support of the CSOs/NGOs and the private sector. The average size of sub-projects under VGS would be US\$5,000 with a maximum of US\$10,000 to be approved by the DPTC and endorsed by the DEC. CSOs/NGOs and the private sector would use simple procurement rules and procedures similar to community procedures, i.e. local shopping, direct contracting and local bidding to obtain needed goods and services. NUMU would enter into sub-project agreements with the respective CSOs/NGOs and the private sector which would include a fee not exceeding 10% of the sub-project cost. However, in order to ensure quality of work and adherence to sector norms and standards, the CSOs/NGOs and the private sector would be technically supervised by the district teams. The NDTO would facilitate the signing of tripartite agreements between the district, CSOs/NGOs and the private sector, and NUMU to put the afore-mentioned into effect.

### ***Community Reconciliation and Conflict Management (CRCM)***

Procurement under the CRCM would follow the pattern of the VGS, whereby specialized CSOs/NGOs and CBOs provide the facilitation and support of community reconciliation activities such as holding reconciliation meetings and/or negotiations between clans and/or tribes, supporting inter-tribal dialogue including visits to other districts, counselling and provision of psycho-social support to returnees, ex-abductees, gun-drop-outs, and the receiving communities, etc. However, the respective affected communities would identify their needs with respect to peace interventions and prioritize them for support by the skilled CSOs/NGOs and CBOs. Traditionally established practices for cleansing, inter-clan dialogue, re-integration into the family and clan, etc. would be funded as requested. The average size of sub-projects under CRCM would be US\$3,000 with a maximum of US\$10,000 to be approved by the DPTC and endorsed by the DEC. CSOs/NGOs and CBOs would use simple procurement rules and procedures similar to community procedures, i.e. local shopping, direct contracting and local bidding, to procure goods and services under this component.

### ***Multi-community Sub-projects***

For the Multi-community sub-projects such as community roads, laboratories for secondary schools, etc., LA Tender Boards, rules and regulations would guide procurement provided they are consistent with IDA rules. The average size of the sub-projects would be US\$20,000, with a maximum size of US\$50,000 for community roads under the LAs, subject to the approval of the NSC. Procurement procedures for goods and services may not necessarily be in line with the laid out local government regulations. LAs would adopt them for use as part of the agreement to implement this project. However, agreed performance and processing benchmarks to ensure speedy turn-around time would be entered into between NUMU and individual districts and incorporated into the MOU.

***Bidding under Community Procurement***

Before community subprojects have been approved, the district authorities send a general advertisement (equivalent to the GPN in ICB) to the local radios and newspapers or the actual locality where potential contractors and suppliers are likely to visit. Such places are the district, sub-county, parish and village notice boards.

Such local advertising would help improve transparency and increase competition. Potential candidates would be encouraged to express their interest either directly to the communities or NGO/CBO or to the District project authorities, which will keep a list of potential bidders (contractors and suppliers) who have the experience and track record to participate in actual bidding. The list of contractors and suppliers would help the community to identify qualified bidders to contract.

Once the subproject has been approved, the community shall adopt any of the following bidding options:

**Local shopping** whereby an invitation to bid is sent to a minimum of three bidders that they have selected themselves. Here, the lowest evaluated bidder is awarded the contract on the basis of a set criteria;

**Direct contracting** whereby the CPMC identifies and selects a contractor/supplier/consultant familiar to the community, negotiates a price with him/her and awards the contract based on the agreed price. This shall occur in case a competitive method is not practicable to the community; and

**Local bidding** whereby a specific notice is placed at the local notice boards at village or sub-county or district level. Here at least 15 days shall be allowed to prepare and submit bids, and ensure that the date, time and place for the public bid opening and the deadline for submission is indicated. Bids are examined and those that do not meet the minimum specifications in respect of experience, quality of works (track record), equipment, services offered and the delivery dates are eliminated.

The next step will be to select the bidder who meets the minimum requirements and offers the lowest price using a simple evaluation form for NUSAF bids. The award and amount of the contract is then announced to all bidders and the contract is signed within 5 working days of the announcement. Simple or locally available goods and services such as bicycles, timber, nails, paint, roofing sheets and office equipment like filing cabinets, pens, notebooks receipt books and cement shall be procured by obtaining at least three quotes from reliable suppliers.

Table 2 summarizes the procedures, schedule and actors of the bidding process and award of contracts.

Table 2: Summary of local bidding procedures, schedule and actors

<u>Level</u>	<u>Task/Action</u>	<u>Actors</u>	<u>Timing</u>	<u>Note</u>
District	General advertisement on the opportunities to bid.	CAO	After project launch	See Annex 009
District	Establishing a roster of potential contractors and suppliers.	CAO	After the first advertisement and thereafter.	

Community	Advertising community procurement using local notice boards, radios, religious and other gatherings.	CPMC	Soon after notification of subproject approval.	Advert should be in Writing.
Community	Issuing bidding documents to interested bidders.	CPMC	Within two days from expressed interest by potential bidders.	Using documents provided by the District.
Community	Bid opening and evaluation.	CPMC	Bid opening at the announced time and place, and evaluation within a week of the opening.	Record prices and members and bidders names, bid evaluation to be prepared for ex-post financial review.
Community	Decision on the award and announcing it.	CPMC	Within 14 days of the bid opening.	Award announced to all bidders; a copy of bid evaluation form and award decision sent to the NDTO.
Community	Signing of the contract.	CPMC	Within five working days of announcing of the award.	

### ***Contracts for goods and supplies***

Goods and supplies under community procurement will be procured through local shopping procedures i.e. obtaining quotations from three reliable suppliers. The CPMC, LA, CSO/NGO and private sector may also furnish invitations directly to potential bidders. The secretary of the CPMC, LA, CSO/NGO and private sector shall advertise the availability of such contracts through distribution announcements on village/parish/sub-county council notice boards or social gatherings in the district. All invoices received with addresses and telephone numbers, shall be maintained in the records along with others that have been solicited, and filed. The secretary of the CPMC, LA, CSO/NGO and the private sector shall record the minutes of the meeting where the decision to award the contract to one of the three suppliers was taken and have them signed individually. In case the contract is not awarded to the lowest bidder, clear explanations for that choice must be provided.

***Contracts for works*** may also be procured through obtaining three invoices. Once again these invoices have to be kept and the reasons for awarding the contract must be recorded in the minutes of the meeting of the Procurement Committee and signed by all members. Works under any of the components will be carried out within the sub-projects and are governed by the sub-project cycle requirements and procedures.

It suffices to note that since civil works are technical in nature, they will require close supervision under the CDI component and, in order to ensure standards, all community subprojects on civil works will be referred to the respective specialized sectors, LAs and CSOs/NGOs at sub-county/district level during implementation and management.

### **Force Account**

Force account may be used for contracts estimated to cost less than US\$50,000 equivalent (up to an

aggregate amount of US\$2 million equivalent) in accordance with clause 3.8 of the Guidelines, where: the works are small and scattered or in remote locations for which qualified construction firms are unlikely to bid at reasonable prices.

### **Goods and Equipment**

Goods and equipment to be procured would include vehicles, office equipment, computers and software for NUMU and NUSAF district offices under the CAO. The total estimated cost of goods and equipment is US\$ 2.7 million. Contracts which are estimated to cost more than the equivalent of US\$100,000 will be obtained by ICB procedures. Contracts estimated to cost less than US\$ 100,000, but more than US\$ 25,000 equivalent, up to an aggregate amount of US\$ 0.5 million equivalent may be procured using National Competitive Bidding (NCB) procedures and IAPSO. Goods and equipment estimated to cost less than US\$ 25,000 equivalent per contract, up to an aggregate of US\$ 0.5 million equivalent, may be procured by shopping procedures in accordance with the Guidelines. Contracts on or above the individual threshold of US\$ 100,000 equivalent will be subjected to IDA's prior review.

### **Consultancy Services:**

The project will finance consultancy services for the preparation of the Financial and Accounting Manual; Management Information System (MIS); Monitoring and Evaluation System; and Capacity Building required by the various stakeholders. Consultancy services will be procured in accordance with Bank's Guidelines for Selection and Employment of consultants by the World Bank Borrowers published in January 1997, revised in September 1997 and, January 1999, and using the appropriate Standard Forms of Contract. In principle, the project will encourage, to extent possible, engagement of national consultants with the view to develop local capacity, in accordance with Bank's Guidelines. This may be done through short-listing of national consultants in the cases of contracts of small values (below thresholds; see below). However, foreign firms/consultants will probably be used for more complex assignments and in case of expression of interest, they will not be excluded from the selection process for smaller assignments.

Contracts estimated to cost on or above the threshold of US\$ 100,000 for firms will be awarded through the Quality and Cost-Based Selection (QCBS) method ( refer to Section II, para. 2.1-2.28, of the Consultant Guidelines). Contracts estimated to cost less than US\$100,000 for firms may be awarded on the basis of consultants qualifications (CQ). The short-list for contracts below the threshold of US\$ 100,000, in which local capacity is readily available, may comprise entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines. Selection of individual consultants will be made according to Section V, para. 5.1-5.3 of the Guidelines. In exceptional cases as defined in paragraphs 3.8 to 3.11 of the Guidelines, contracts for firms or individuals maybe awarded on single source basis if it is so determined that competition would not achieve the objectives of efficiency, economy and transparency.

The standard "Request for Proposals (RFP)" and the Forms of Contracts as developed by the Bank will be used for the appointment of consultants. Simplified contracts will be used for short-term assignment, i.e., those not exceeding three months, carried out by firms or individual consultants. Firms will be invited to submit expression of interest for each assignment. Prior IDA review will apply for (i) Terms of Reference (TOR) for all consultancy services; (ii) contracts to be awarded on the basis of single source recruitment; (iii) selection procedures, short-list and request for proposals (RFP), qualifying technical proposals, final evaluation reports, and draft contracts when the estimated costs of the contract exceed US\$ 50,000 for the individual consultants and US\$ 100,000 for firms; (iv) assignment of critical nature (as reasonably demanded by the Bank) for individuals and firms estimated to cost less than US\$ 50,000 and US\$ 100,000

respectively; and (v) contract amendment raising the values over US\$ 50,000 and US\$ 100,000 for individuals and firms respectively. All consultancy services not subjected to prior review will be subjected to post review in accordance with Appendix 1 paragraph 4 of the Guidelines for the selection of consultants. The NUSAF Executive Director will be briefed about the features of the new Guidelines (January 1997, revised in September 1997 and January 1999—with a copy provided to him), in particular in regard to advertisement and public opening of bids. Training workshops on the selection of consultants will be conducted prior to or during the launch workshop.

**Procurement methods (Table A)**

**Table A. Procurement Methods**

(US\$M)

	ICB	NCB	Community Participation	Other Methods*	N.B.F.**	Total
<b>CDI</b>			66.3		28.4	94.7
<i>(IDA Share)</i>			<i>(66.3)</i>			<i>(66.3)</i>
<b>VGS</b>			19.4		2.3	21.6
<i>(IDA Share)</i>			<i>(19.4)</i>			<i>(19.4)</i>
<b>CRCM</b>			2.5		0.3	2.8
<i>(IDA Share)</i>			<i>(2.5)</i>			<i>(2.5)</i>
<b>Goods</b>	1.6	0.5		0.6	0.1	2.8
<i>(IDA Share)</i>	<i>(1.6)</i>	<i>(0.5)</i>		<i>(0.6)</i>		<i>(2.7)</i>
<b>Consultants / TA / Workshop</b>				4.7	0.8	5.5
<i>(IDA Share)</i>				<i>(4.7)</i>		<i>(4.7)</i>
<b>Operating Costs</b>				4.4	1.7	6.1
<i>(IDA Share)</i>				<i>(4.4)</i>		<i>(4.4)</i>
<b>Total</b>	1.6	0.5	88.2	9.7	33.6	133.5
<i>(IDA Share)</i>	<i>(1.6)</i>	<i>(0.5)</i>	<i>(88.2)</i>	<i>(9.7)</i>	<i>(0.0)</i>	<i>(100.0)</i>

Note: Numbers in Italics refer to the amount financed by IDA

Community participation includes services for CDI estimated at US\$4.1 million, procurement using local authority procedures that may be by force account estimated at US\$ 2 million;

\* Other Methods include Consultant Services, Shopping and Operating Costs, IAPSO,

\*\* N.B.F. includes contributions which will be made by communities such as bricks, labour or cash contributions and governments contributions (salaries, operation and maintenance, 10% of local costs and 10% of TA/consultant services (SDP))

**Table A1: Consultant Selection Arrangements (optional)**  
(US\$ million equivalent)

Consultant Services Expenditure Category	Selection Method							Total Cost
	QCBS	QBS	SFB	LCS	CQ	Other	N.B.F.	
<b>A. Firms</b>	0.36 (0.36)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.20 (0.20)	0.07 (0.07)	0.17 (0.00)	0.80 (0.63)
<b>B. Individuals</b>	0.31 (0.31)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	3.73 (3.73)	0.68 (0.00)	4.72 (4.04)
<b>Total</b>	0.67 (0.67)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.20 (0.20)	3.80 (3.80)	0.85 (0.00)	5.52 (4.67)

1\ Including contingencies

Note: QCBS = Quality- and Cost-Based Selection  
 QBS = Quality-based Selection  
 SFB = Selection under a Fixed Budget  
 LCS = Least-Cost Selection  
 CQ = Selection Based on Consultants' Qualifications  
 Other = Selection of individual consultants (per Section V of Consultants Guidelines), Commercial Practices, etc.  
 N.B.F. = Not Bank-financed  
 Figures in parenthesis are the amounts to be financed by the Bank Credit.

**Prior review thresholds (Table B)**

**Prior review thresholds (Table B)**

Expenditure Category		Procurement Method	Contracts Subjects to Prior Review / Estimated Total Value Subject to Prior Review (US\$ million)
1. Community Development Initiatives		Community participation and Minor Works Procurement (three quotations)	First five contracts under sub-projects 2/
		Multi-community sub-projects - by local authorities using National Shopping	First five contracts under sub-projects 2/
2. Vulnerable Group Support		Community participation and CSOs / NGOs / CBOs using local shopping	First five contracts under sub-projects 2/
3. Community reconciliation and Conflict Management		Community participation	First five contracts under sub-projects 2/
4. Equipment and Furniture	<b>Contract Value (Thresholds)</b>	Shopping, IAPSO	Post Review
Supplies and Vehicles	>=\$25,000 & <\$100,000	NCB, IAPSO	First five contracts
	>=\$100,000	ICB	All contracts

	<\$20,000 (sub-project value)	Shopping	Post Review
5. Consultant Services 1/	>=\$20,000 & <\$50,000 (sub-project value)		
Firms	<\$50,000	QCBS (CQ and other methods may be used, subject to prior approval from IDA)	None 3/
	<\$20,000 (sub-project value)		
	>=\$100,000	QCBS	All contracts
	<\$5,000 (per activity value)		
Individuals	<\$50,000	Individual Qualifications	None 3/
	<\$25,000		
	>=\$50,000	Individual Qualifications	All contracts

- ICB = International Competitive Bidding  
NCB = National Competitive Bidding  
IS = International Shopping  
NS = National Shopping  
IAPSO = United Nations Inter-Agency Procurement Office  
QCBS = Quality and Cost-Based Selection  
CQ = Consultant Qualifications-Based Selection

1/ All terms of reference for consulting services, including those specified in the project manuals will be subject to IDA prior review.

2/ Exemption from prior review does not apply to contracts under Force Account

3/ Exemptions from prior review does not apply to consultant contracts in case of single-source selection of firms and individuals, assignments of critical nature, and amendments to contracts raising the original value above the respective thresholds.

Overall Risk Assessment: Considered High

Frequency of procurement supervision missions proposed: One every six (6) months includes special procurement supervision for post-review/audits).

**Weaknesses:**

**Recommendations:**

1. NUMU to finalize the Procurement Handbook at least before project effectiveness. The Handbook should; (i) articulate the public procurement procedures and IDA Guidelines; (ii) categorically indicate procurement methods, approval methods, major procurement steps such as advertisements, tender submissions and opening, etc., (iii) prescribe procurement procedures as regards procurement of goods, works, and selection of consultants; (iv) specify or refer to Community Based Procurement Procedures; and (v) be prepared in the context of the NUSAF Operational Manual.
2. NUMU to recruit the Procurement Specialist prior to Project Effectiveness. The Specialist would report to the Director of Finance and Administration subject to review after the first six months.
3. Each district should assign a Supplies Officer to assist the NDTO on NUSAF procurement. The

district council should set aside a room to store the NUSAF supplies.

4. In collaboration with IDA, NUSAF should organize a 2 - 3 day workshop on procurement familiarization exclusively for district personnel (Tender Board secretary, treasurer, etc., supplies officer, other planning staff) that will work on NUSAF procurement. The workshop is best held during or just after launching of NUSAF.

## **Disbursement**

### **Allocation of credit proceeds (Table C)**

**Table C: Allocation of Credit Proceeds**

<b>Expenditure Category</b>	<b>Amount in US\$million</b>	<b>Financing Percentage</b>
Subprojects	78.80	90% of amounts disbursed
Goods and Vehicles	2.20	100% of foreign expenditures; 100% of local expenditures (ex-factory cost) and 90% of local expenditures for other items procured locally
Consultants Services, Training and Audit fees	3.50	90% of expenditure
Operating Costs	4.20	90% of local expenditure
Project Preparation Facility	1.50	Amount due pursuant to Section 2.02 (b) of the DCA
Unallocated	9.80	
<b>Total Project Costs</b>	<b>100.00</b>	
<b>Total</b>	<b>100.00</b>	

The project implementation agency will, on quarterly basis, submit Financial Monitoring Reports as discussed during the project appraisal and Credit negotiations. In addition, NUMU will submit the required supporting documentation for report-based disbursements, which will include:

**(a) Source of supply information:**

For contracts above the prior review threshold:

- (i) the contractor/consultant's name, nationality, and Zip code, where applicable; and
- (ii) the amount disbursed under each contract.

For contracts below the prior review threshold:

- (i) aggregate disbursements by country of supply;
- (ii) Breakdown of aggregate disbursements by legal disbursement category; and
- (iii) disbursement percentage.

**(b) Special Account reconciliation statement;**

**(c) Special Account bank statement; and**

**(d) Forecast of expenditures for the following two FMR reporting periods.**

All disbursements are subject to the conditions of the Development Credit Agreement and the procedures defined in the Disbursement Letter.

**Special account:**

To facilitate disbursements of eligible expenditures for works, goods and services, Government will open a special account in a commercial bank to cover IDA's share of eligible expenditures to be managed and administered by NUMU. Authorized allocation of the special account would be US\$ 15,000,000. Deposits into the Special Account will be based on submitted FMRs together with the report-based disbursement

supporting documentation as explained in the DCA and at the Credit negotiation. The initial deposit will cover the first two quarters of the project life, that is, six month cash forecast of project expenditures. NUMU will be responsible for submitting quarterly Financial Monitoring Reports to IDA, covering an estimated six months of eligible expenditure financed by IDA. NUMU will be responsible for submitting quarterly Financial Monitoring Reports.

Reports on funds utilization will be submitted periodically according to nature of subprojects, by the PIAs (Districts and Communities) to NUMU, and as per each sub-project/activity and project category. The reports will be accompanied by bank reconciliation and bank statements.

Under the report-based method of disbursement, NUSAF will be required, within 45 days after the end of the quarter to submit to IDA the Withdrawal Application and the FMRs together with the bank reconciliation; and six-month cash forecast. (Refer to Financial Monitoring Reports for World Bank Financed Projects: Guidelines for Borrowers, DCA and, Disbursement Letter). For all expenditures claimed under FMR, all supporting documents will be retained at NUMU for internal and external audit reviews including IDA mission review as agreed.

#### Project Account

In order to ensure timely provision of counterpart funds, GOU will establish a Project account at a commercial bank acceptable to IDA with an initial deposit of \$250,000 Uganda shillings equivalent.

The account will be replenished on a quarterly basis (at beginning of each quarter) as indicated below:

- (i) Project Year 1: \$285,000 US\$ equivalent
- (ii) Project Year 2: \$490,000 US\$ equivalent
- (iii) Project Year 3: \$712,000 US\$ equivalent
- (iv) Project Year 4: \$712,000 US\$ equivalent
- (v) Project Year 5: \$265,000 US\$ equivalent

#### Advance Accounts

Advance accounts will be maintained by the CSOs, NGOs, and CBOs for deposits from NUMU. The funds in these accounts will be used to finance eligible expenditures under the Credit.

**Annex 7: Project Processing Schedule**  
**UGANDA: Northern Uganda Social Action Fund**

<b>Project Schedule</b>	<b>Planned</b>	<b>Actual</b>
<b>Time taken to prepare the project (months)</b>		
<b>First Bank mission (identification)</b>	02/01/2000	02/01/2000
<b>Appraisal mission departure</b>	03/18/2002	03/18/2002
<b>Negotiations</b>	04/10/2002	04/12/2002
<b>Planned Date of Effectiveness</b>	09/30/2002	

**Prepared by:**

Uganda Social Action Fund Multi-sectoral Task Force, Office of the Prime Minister, GoU

**Preparation assistance:**

PPF No. = approx. \$1,025,000

**Bank staff who worked on the project included:**

<b>Name</b>	<b>Speciality</b>
Norbert Mugwagwa	IDA Task Leader
Mungai Lenneiyie	Task Manager
John J. Oloya	Task Manager
Mary Bitekerezo	Social Development, Environment, Participatory Planning
Agnes Biribonwa	IEC
Enid Kyomugisha/Vikki Taaka	Project Processing, Kampala Office
Victoria Fofanah	Program Assistant, HQ
Yisgedullish Amde	Resource Allocation / Targeting, Monitoring, Costing
Prasad Mohan	IEC, Training
Mona Gleditsch	Environment, Gender
Jon Lauglo	Training
Godwin Hlatshwayo	Institutional Development
Modupe Adebawale	Disbursement
Aberra Zerabruk/Edith Mwenda	Legal
Rogati Kayani	Procurement
Harriet Nannyonjo	Education
Peter Okwero	Health
Victorio Ocaya	Roads
Joseph Kizito	Finance
Michael Wong/Lucy Fye	Private Sector Development
Reinhard Woyteck	Indigenous Knowledge-AFTQK

**Annex 8: Documents in the Project File\***  
**UGANDA: Northern Uganda Social Action Fund**

**A. Project Implementation Plan**

The Project Implementation Plan is incorporated into the Institutional Development Handbook and the Operational Manual.

**B. Bank Staff Assessments**

Second Northern Uganda Reconstruction Project (NURP II) Identification Mission, March 21 – 31, 2000  
Northern Uganda Social Action Fund (NUSAF) - Pre-appraisal Mission Aide Memoir, May 28 to June 8, 2001

Northern Uganda Social Action Fund (NUSAF) - Appraisal Mission Aide Memoir, March 18 - 29, 2002

**C. Other**

Country Assistance Strategy, 20886-UG, October 24, 2000

Poverty Eradication Action Plan (PEAP), summary report, 2001

Uganda Poverty Status Report, 2001

Uganda National Human Development Report, UNDP, 2000

Uganda Participatory Assessment Reports, Ministry of Finance, 2000

Uganda Poverty Assessment, Government of Uganda, 2000

National Service Delivery Survey, 2001

Annual Statistics, Ministry of Education 2001

Annual Statistics, Uganda Bureau of Statistics 2001

Uganda National Household Survey II, Uganda Bureau of Statistics, 2002

United Nations Office for the Coordination of Humanitarian Affairs (UNOCHA), Humanitarian Update, September / October 2001

Malawi Social Action Fund, Project Appraisal Documents, Operational Manual, and Handbooks

Tanzania Social Action Fund, Project Appraisal Document, Operational Manual, and Handbooks

Community Needs Assessment (CNA) Reports, 2001

Cofinancing between the Netherlands and the World Bank, 1975 – 1996, ( Evaluation Report 1999),

Ministry of Foreign Affairs

Rights to Health and Nutrition Programme, Plan of Operations, Government of Uganda, (country Programme 2001-2005), UNICEF

School and Community Sanitation, Hygiene, and Water Programme, Plan of Operations ( Country Programme 2001-2005), Government of Uganda, UNICEF

Ministry of Local Government Provisional Consultancy Report on Mapping Donor Support in the field of Decentralization, (October 2000)

District Resource Endowment Profile Survey, Household Micro- Finance Survey (Vol. 1-V) Ministry of finance Planning and Economic Development, April, 2000

Uganda Post-Conflict Reconstruction, Country Case Study (2000), The World Bank,

Northern Uganda Reconstruction Programme (NURP II) - District Profile Study I - II: COWI Consultants, 1999

\*Including electronic files

**Annex 9: Statement of Loans and Credits**  
**UGANDA: Northern Uganda Social Action Fund**  
**13-Jun-2002**

Project ID	FY	Purpose	Original Amount in US\$ Millions					Difference between expected and actual disbursements*	
			IBRD	IDA	GEF	Cancel.	Undisb.	Orig	Frm Rev'd
P065436	2002	2ND PHASE OF THE RD. DEVELOPMENT	0.00	64.52	0.00	0.00	64.94	4.98	0.00
P069996	2002	PROGRAM	0.00	49.15	0.00	0.00	47.82	0.00	0.00
P002884	2002	Energy for Rural Transformation Project	0.00	62.00	0.00	0.00	60.90	5.03	0.00
P074078	2002	UG FOURTH POWER PROJECT	0.00	5.00	0.00	0.00	5.00	0.00	0.00
P050439	2001	Makerere Pilot Decentr'l Service Delivery	0.00	48.50	0.00	0.00	43.54	26.09	0.00
P044695	2001	PRIVATIZATION & UTILITY SECTOR REFORM	0.00	45.00	0.00	0.00	45.47	0.02	0.00
P070627	2001	National Agric. Advisory Services Proj.	0.00	20.00	0.00	0.00	14.21	-0.56	0.00
P072482	2001	Regional Trade Fac. - Uganda	0.00	47.50	0.00	0.00	44.92	16.23	0.00
P073089	2001	HIV/AIDS Control Project	0.00	22.00	0.00	0.00	19.88	8.55	0.00
P044679	2000	EMCBP II	0.00	34.04	0.00	0.00	25.09	17.48	0.00
P002992	2000	Second Economic and Fin. Mgmt. Project	0.00	80.90	0.00	0.00	45.18	-29.12	0.00
P059223	1999	LOCAL GOV DEVE.PROGRAM	0.00	22.40	0.00	0.00	12.07	13.08	0.00
P002941	1999	NAKIVUBO CHANNEL REH	0.00	12.40	2.00	0.00	0.95	-0.73	-1.49
P059127	1999	ICB-PAMSU	0.00	26.00	0.00	0.00	17.77	6.79	0.00
P002970	1999	AGRIC.RES & TRNG. II	0.00	90.88	0.00	0.00	70.55	26.68	3.43
P057007	1998	ROADS DEVT PROGRAM	0.00	27.60	0.00	16.98	5.55	24.14	0.51
P040551	1998	EL NINO EMERG RD REP	0.00	34.00	0.00	0.00	9.53	1.64	0.00
P049543	1998	NUTRIT.CHILD DEV	0.00	30.00	0.00	0.00	18.46	20.45	1.16
P046836	1997	ROAD SECT/INST.SUPP	0.00	12.10	0.00	0.00	1.39	1.81	0.00
P046870	1997	Lake Victoria Env.	0.00	9.80	9.80	0.00	2.22	2.72	0.00
P035634	1996	LAKE VICTORIA ENV.	0.00	12.30	0.00	2.18	1.18	4.63	1.83
P002976	1995	PRIV. SECTOR COMPETI	0.00	36.40	0.00	0.00	0.79	3.22	0.00
P002971	1995	INST. CAPACITY BLDG	0.00	45.00	0.00	0.00	0.33	2.53	0.00
P002963	1994	DISTRICT HEALTH	0.00	50.00	0.00	0.00	0.66	1.50	0.00
P002957	1994	SEXUAL TRANS.IN	0.00	42.30	0.00	0.00	1.81	2.76	0.00
		SMALL TOWNS WATER							
<b>Total:</b>			<b>0.00</b>	<b>929.89</b>	<b>11.80</b>	<b>19.16</b>	<b>560.20</b>	<b>159.88</b>	<b>5.45</b>

UGANDA  
 STATEMENT OF IFC's  
 Held and Disbursed Portfolio  
 April - 2002  
 In Millions US Dollars

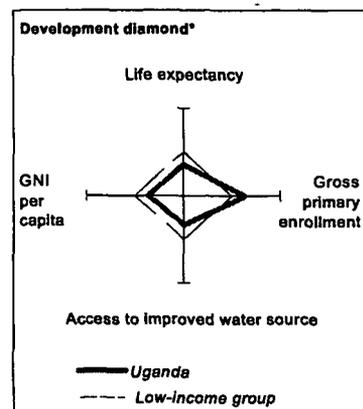
FY Approval	Company	Committed				Disbursed			
		IFC				IFC			
		Loan	Equity	Quasi	Partic	Loan	Equity	Quasi	Partic
1994	AEF Skyblue	0.51	0.00	0.00	0.00	0.51	0.00	0.00	0.00
1998	AEF White Nile	0.22	0.00	0.00	0.00	0.22	0.00	0.00	0.00
1999	AEF Wstern Hgh	0.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1994/00	CelTel Uganda	2.50	0.70	0.00	0.00	2.50	0.70	0.00	0.00
0/84/92	DFCU	0.00	0.60	0.00	0.00	0.00	0.60	0.00	0.00
1993	Jubilee	0.00	0.10	0.00	0.00	0.00	0.10	0.00	0.00
1996	Kasese Cobalt	8.00	3.60	0.00	0.00	8.00	3.60	0.00	0.00
1998	Tilda Rice	1.54	0.00	0.00	0.00	1.54	0.00	0.00	0.00
1983	Uganda Sugar	4.02	0.00	0.00	0.00	4.02	0.00	0.00	0.00
1996	AEF Agro Mgmt	0.60	0.40	0.00	0.00	0.55	0.40	0.00	0.00
1992	AEF Clovergem	0.84	0.00	0.00	0.00	0.84	0.00	0.00	0.00
1997	AEF Conrad Plaza	0.88	0.00	0.00	0.00	0.88	0.00	0.00	0.00
1998	AEF Exec. Invmnt	0.79	0.00	0.00	0.00	0.79	0.00	0.00	0.00
1999	AEF Gomba	1.40	0.00	0.00	0.00	1.40	0.00	0.00	0.00
2001	AEF Kabojja	0.33	0.00	0.00	0.00	0.33	0.00	0.00	0.00
	AEF Kiwa II	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1997	AEF Ladoto	0.80	0.00	0.00	0.00	0.80	0.00	0.00	0.00
2000	AEF LongFreight	0.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2000	AEF Makss	1.35	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2002	AEF Mosa Court	0.40	0.00	0.00	0.00	0.40	0.00	0.00	0.00
1998	AEF Nile Roses	0.16	0.00	0.00	0.00	0.16	0.00	0.00	0.00
1993	AEF Rainbow	0.79	0.00	0.00	0.00	0.79	0.00	0.00	0.00
1995	AEF Rwenzori	0.17	0.00	0.00	0.00	0.17	0.00	0.00	0.00
1993									
	<b>Total Portfolio:</b>	<b>26.60</b>	<b>5.40</b>	<b>0.00</b>	<b>0.00</b>	<b>23.90</b>	<b>5.40</b>	<b>0.00</b>	<b>0.00</b>

FY Approval	Company	Approvals Pending Commitment			
		Loan	Equity	Quasi	Partic
2002	Bujagali	60.00	0.00	0.00	40.00
	<b>Total Pending Commitment:</b>	<b>60.00</b>	<b>0.00</b>	<b>0.00</b>	<b>40.00</b>

## Annex 10: Country at a Glance

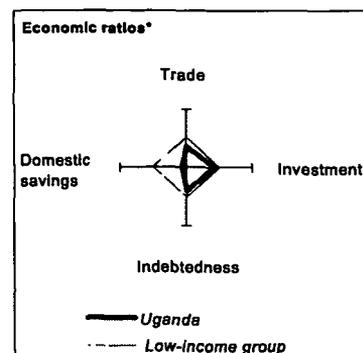
### UGANDA: Northern Uganda Social Action Fund

POVERTY and SOCIAL	Uganda	Sub-	Low-
		Saharan Africa	
<b>2000</b>			
Population, mid-year ( <i>millions</i> )	22.2	659	2,459
GNI per capita ( <i>Atlas method, US\$</i> )	300	480	420
GNI ( <i>Atlas method, US\$ billions</i> )	6.8	313	1,030
<b>Average annual growth, 1994-00</b>			
Population (%)	3.0	2.6	1.9
Labor force (%)	2.7	2.6	2.4
<b>Most recent estimate (latest year available, 1994-00)</b>			
Poverty ( <i>% of population below national poverty line</i> )	35	..	..
Urban population ( <i>% of total population</i> )	13	34	32
Life expectancy at birth ( <i>years</i> )	42	47	59
Infant mortality ( <i>per 1,000 live births</i> )	97	92	77
Child malnutrition ( <i>% of children under 5</i> )	26	..	..
Access to an improved water source ( <i>% of population</i> )	52	55	76
Illiteracy ( <i>% of population age 15+</i> )	38	38	38
Gross primary enrollment ( <i>% of school-age population</i> )	122	78	96
Male	129	85	102
Female	114	71	86



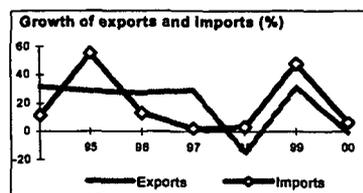
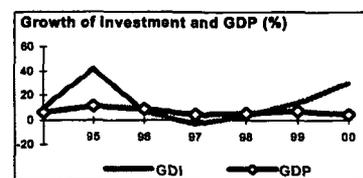
#### KEY ECONOMIC RATIOS and LONG-TERM TRENDS

	1990	1999	2000		
GDP ( <i>US\$ billions</i> )	4.3	6.4	6.2		
Gross domestic investment/GDP	12.7	16.4	18.1		
Exports of goods and services/GDP	7.2	11.3	10.1		
Gross domestic savings/GDP	0.6	4.7	2.6		
Gross national savings/GDP	0.6	10.3	10.8		
Current account balance/GDP	-10.0	-11.6	-13.9		
Interest payments/GDP	..	0.6	0.7		
Total debt/GDP	51.2	63.7	59.1		
Total debt service/exports	80.2	23.7	25.5		
Present value of debt/GDP	..	27.3	15.9		
Present value of debt/exports	..	225.3	146.2		
	<b>1980-90</b>	<b>1990-00</b>	<b>1999</b>	<b>2000</b>	<b>2000-04</b>
( <i>average annual growth</i> )					
GDP	4.1	7.1	7.5	4.4	6.3
GDP per capita	1.3	3.9	4.5	1.1	3.8
Exports of goods and services	2.0	15.4	31.3	-0.7	6.3



#### STRUCTURE of the ECONOMY

	1990	1999	2000	
( <i>% of GDP</i> )				
Agriculture	56.6	44.4	42.5	
Industry	11.1	17.8	19.1	
Manufacturing	5.7	8.7	9.1	
Services	32.4	37.8	38.4	
Private consumption	91.9	85.4	86.9	
General government consumption	7.5	9.9	10.5	
Imports of goods and services	19.4	23.1	25.6	
	<b>1980-90</b>	<b>1990-00</b>	<b>1999</b>	<b>2000</b>
( <i>average annual growth</i> )				
Agriculture	3.3	3.7	6.9	4.1
Industry	6.8	12.3	9.3	6.5
Manufacturing	4.8	13.6	11.7	1.9
Services	3.9	7.9	7.2	5.3
Private consumption	3.9	7.5	17.3	0.9
General government consumption	1.7	6.4	-4.5	4.6
Gross domestic investment	11.2	10.1	14.1	30.5
Imports of goods and services	5.9	13.2	47.8	6.3

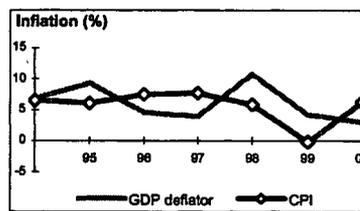


Note: 2000 data are preliminary estimates. Uganda data are in fiscal year: 1999 refers to 1998/99; 2000 refers to 1999/00.

\* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

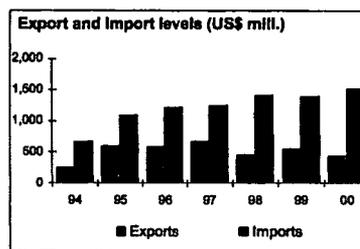
## PRICES and GOVERNMENT FINANCE

	1990	1999	2000
<b>Domestic prices</b>			
(% change)			
Consumer prices	45.5	-0.2	6.3
Implicit GDP deflator	44.4	4.2	3.0
<b>Government finance</b>			
(% of GDP, includes current grants)			
Current revenue	6.8	10.9	10.8
Current budget balance	-0.3	0.9	0.4
Overall surplus/deficit	-5.9	-5.9	-9.0



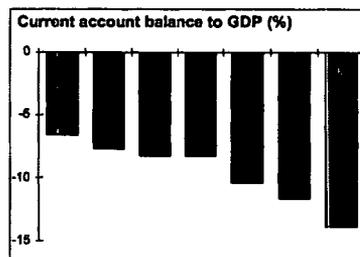
## TRADE

	1990	1999	2000
(US\$ millions)			
Total exports (fob)	210	549	439
Coffee	159	307	187
Cotton	..	11	23
Total imports (cif)	584	1,392	1,513
Food	..	..	..
Fuel and energy	78	108	143
Capital goods	..	..	..
Export price index (1995=100)	56	67	58
Import price index (1995=100)	83	103	104
Terms of trade (1995=100)	67	65	56



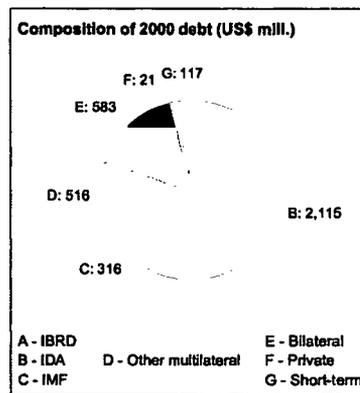
## BALANCE of PAYMENTS

	1990	1999	2000
(US\$ millions)			
Exports of goods and services	246	726	626
Imports of goods and services	676	1,834	1,985
Resource balance	-430	-1,107	-1,359
Net income	-77	-14	-15
Net current transfers	78	375	513
Current account balance	-429	-746	-861
Financing items (net)	419	780	846
Changes in net reserves	10	-33	15
<b>Memo:</b>			
Reserves including gold (US\$ millions)	35	748	719
Conversion rate (DEC, local/US\$)	319.6	1,362.0	1,511.4



## EXTERNAL DEBT and RESOURCE FLOWS

	1990	1999	2000
(US\$ millions)			
Total debt outstanding and disbursed	2,202	4,078	3,668
IBRD	21	0	0
IDA	805	2,043	2,115
Total debt service	197	184	172
IBRD	7	0	0
IDA	6	27	29
Composition of net resource flows			
Official grants	153	277	312
Official creditors	..	195	169
Private creditors	0	4	11
Foreign direct investment	6	230	248
World Bank program			
Commitments	227	165	107
Disbursements	165	132	190
Principal repayments	6	13	14
Net flows	159	119	176
Interest payments	7	14	15
Net transfers	152	104	161



**Additional Annex 11: Summary of Project Workplan  
UGANDA: Northern Uganda Social Action Fund**

ID	Task Name	Duration	Start	Finish	Mar	Qtr 2, 2002			Qtr 3, 2002			Qtr 4, 2002		
						Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1	PPF Approval and opening of special acc	1 day?	Thu 3/14/02	Thu 3/14/02										
2	TORs and Job description prepared and	1 day?	Thu 3/28/02	Thu 3/28/02										
3	NUMU Start-up Activities	1 day?	Fri 11/30/01	Fri 11/30/01										
4	Sensitization and mobilization of District	1 day?	Mon 4/15/02	Mon 4/15/02										
5	IEC Start up activities	113 days	Tue 4/30/02	Thu 10/3/02										
6	Pretesting (trailblazing) of sub-projects	1 day?	Tue 4/30/02	Tue 4/30/02										
7	NUMU Initial District activities	1 day?	Tue 4/30/02	Tue 4/30/02										
8	PRA teams start field work	1 day?	Tue 4/30/02	Tue 4/30/02										
9	Community sub-project activity	1 day?	Tue 4/30/02	Tue 4/30/02										
10	District Activities for Project Ap	1 day?	Tue 4/30/02	Tue 4/30/02										
11	Consultant Services	106 days?	Mon 4/15/02	Mon 8/9/02										
12	CDI Component Handbook and Preparati	66 days?	Tue 4/30/02	Tue 7/30/02										
13	Vulnerable Groups Support Handbook (2	66 days?	Tue 4/30/02	Tue 7/30/02										
14	community Reconciliation & Conflict Mn	66 days?	Tue 4/30/02	Tue 7/30/02										
15	Training Needs Assessment & Plan (PRA	106 days?	Tue 4/30/02	Tue 8/24/02										
16	I.E.C Needs Assessment & strategy desi	66 days?	Tue 4/30/02	Tue 7/30/02										
17	Formation of Listnership clubs for Peace	87 days?	Tue 4/30/02	Wed 8/28/02										
18	Financial Management Handbook (20 day	61 days?	Tue 4/30/02	Tue 7/23/02										
19	Sub-project Tracking System (Specificat	86 days?	Tue 4/30/02	Tue 8/10/02										
20	MIS and M&E Guidelines (20 days)	76 days?	Tue 4/30/02	Tue 8/13/02										
21	An Environmental Checklist (15 days)	46 days?	Tue 4/30/02	Tue 7/2/02										
22	Baseline UHS (15 days)	46 days?	Tue 4/30/02	Tue 7/2/02										
23	Procurement Handbook and Plan (20 day	71 days?	Tue 4/30/02	Tue 8/6/02										
24	Scope of Work for Study on Dev't Strate	111 days?	Tue 4/30/02	Tue 10/1/02										
25	NUSAF Operational Plan & Administration	66 days?	Tue 4/30/02	Tue 7/30/02										
26	Technical Designs	66 days?	Tue 4/30/02	Tue 7/30/02										
27	Functional Literacy/Vocational Training	66 days?	Tue 4/30/02	Tue 7/30/02										
28	Board Approval	1 day?	Thu 8/15/02	Thu 8/15/02										
29	Launch workshop	1 day?	Thu 8/15/02	Thu 8/15/02										
30	Effectiveness	78 days?	Fri 8/30/02	Tue 12/17/02										
31	CDI Implementation	652 days?	Fri 8/30/02	Mon 2/28/03										
32	Vulnerable Groups	652 days?	Fri 8/30/02	Mon 2/28/03										
33	Community Reconciliation and Conflict M	652 days?	Fri 8/30/02	Mon 2/28/03										
34	Institutional Development	652 days?	Fri 8/30/02	Mon 2/28/03										
35	MIS/M&E/Training/IEC	652 days?	Fri 8/30/02	Mon 2/28/03										
36	Implementation review	606 days?	Mon 11/4/02	Mon 2/28/03										

## **Additional Annex 12: Community Needs Assessment UGANDA: Northern Uganda Social Action Fund**

### **Community Needs Assessment Objective:**

A CNA, using participatory rural appraisal/action (PRA) approaches was carried out in the five sub-regions of the North (Acholi, Karamoja, Lango, Soroti and West Nile) in order to bring out the views, perceptions and aspirations of the communities in the North regarding: (a) community ability to identify and prioritize needs and plan to address them; (b) community knowledge of poverty and vulnerability; (c) community organization and its potential to contribute to better identify, plan, implement and manage community sub-projects in a sustainable manner; (d) willingness to contribute, community capacity and skills levels; (e) community perceptions of external institutions; and (f) community access to information.

### ***Findings by Question***

**Community ability to identify needs and prioritize:** Communities are able to identify and prioritize their development needs; they know what they want. They also expressed the desire to manage resources and interventions that address their development needs. Communities are also quite aware of their potentials and limitations. CAP in West Nile developed sufficient community capacity and enabled them to prepare action plans which district and sub-county planners should be tapping into. However, CNA findings indicate a reluctance by LAs to utilize both the plans and the community facilitation capacity built. Involvement of LAs in the sub-project cycle therefore guarantees sustainability of both the process and the subprojects.

**Knowledge of poverty and vulnerability:** The communities are aware of poverty and know who are the poorest/vulnerable in their communities and why they are in the said state. Communities also know what it takes to improve one's well being, i.e. how the very poor can be moved from abject poverty through community capacity building - investing in social capital development, and the factors that characterize the poor and the poorest/most vulnerable. They also know the conditions and status of their social services, how accessible the social services are and which institutions/organizations provide better services.

The findings indicate that most community respondents do consider that most social services are: (a) still poorly accessible, particularly by the very poor; (b) of inadequate quality and; (c) few in terms of physical facilities, distant from the communities and are ill-equipped and understaffed. In service delivery, the respondents noted that NGOs have done a commendable job in ameliorating the problem. This was particularly noted by the consultants who worked in the insecure areas especially in Acholi region, where government has continuously relied on CSOs because of their community-based activities. In Acholi sub-region, the war has distorted both the definitions and perceptions of poverty. The result has been a general view that everybody is poor. However "...in the course of well being ranking exercises, the poor were singled out mainly in relation to their material possession at the household level". The following characteristics were commonly cited as associated with being poor: elderly, HIV/AIDS affected and living with AIDS, internally displaced, disabled, widows and widowers, orphans, youth, homeless, girls with children, etc.

**Community organization:** Community organizations exist all across the region (women groups, youth groups, water management committees, school management committees, CBOs and other self-help initiatives) with the potential and willingness to shoulder their development obligations. In addition,

organizational capacities (in group management, planning, financial management, procurement, record-keeping) are still low but the community potential and willingness to improve upon them is compelling. Yes, communities are organized along both modern and traditional lines (formal and informal) with clear purposes and objectives although not necessarily in a written form. The study however observed that informal institutions, which have critical role in instilling values, are getting extinct. In Acholi, for instance, the Study concludes that “..social norms, culture and traditions that held the Acholi have been falling apart in the last 15 years.....however, a number of people interviewed suggested that strengthening the traditional institutions (clans and elders) will form a strong building block for the peace building (efforts)”. In Karamoja, the LC system is seen as favoring the few literate and undermining the authority of the elders, yet, only by going through the latter can development messages get to the people. The elders are the custodians of community cohesion, their blessing is needed for any intervention to succeed, and they are not necessarily obstructive as long as they are respected and informed first.

In Teso the findings show that Communities have come together to promote their own survival through ‘individual commitment, interest and hard work’ and to be independent of external influence. Whereas membership is open, factors such as age and socio-economic background influence association. Group’ organizational and management capacity has been influenced by interaction with external institutions, the higher the level of association the higher the capacity. Groups include: funeral/burial, women labor and revolving funds, cattle and farmer groups, and youth. External groups mainly NGOs, specific programs, church groups most of which provide skills training. Local Government structures exist at village and parish levels and provide liaison and linkages with NGOs, resolve conflicts, channel information as well as mobilize communities to: repair roads, protect water sources, construct and repair schools, etc. LCs have high drop-out rates, are considered corrupt, have low capacity, etc. At sub-county level, councils and committees do not meet regularly, they lack funds and tend to be non-participatory. Community’s main complaint is that they are not involved in making decisions on priorities, LCs at different levels decide without consulting those below them be they communities or other LC levels. The consequence is that LCs are viewed negatively by the people who see them as distant and non-responsive as well as corrupt and non-transparent in their dealings.

Community perceptions of local NGOs and CSOs are mixed, but they tend to identify with local ones such as churches. There is a general feeling of unfulfilled expectations by those NGOs that left without following up on the issues raised and mistrust of external institutions.

**Willingness to contribute, community capacity and skills levels:** Community participation has generally been passive in most parts of the region. The study reported that in case of West Nile, CAP West Nile introduced active participation at least in more than 293 communities (43% of population), but, this is declining with local government supported programs e.g., DDP. Community participation also was found to vary with the nature of livelihood, organization capacity and relationship with other development agencies. The study reported that pastoralists are willing to participate in development processes. However, the nature of their participation should better be defined in the context of their livelihood. Similarly, earlier development workers have also tied the participation of pastoralists to allowances to attending meetings.

In general all communities have indicated commitment and willingness to contribute to the development of their areas. This is tied to traditional practices and values, which still exist and can be brought out with good facilitation. The report concluded that community contributions are evident in all the districts visited and well reported in NGO supported projects as well as self-help projects. In Lango sub-region, for instance, traditional systems have been very instrumental in mobilizing communities to promote participation for physical implementation of community activities, e.g. Acholi, communities have been

contributing and therefore are willing to contribute especially materials for school construction. In Teso, communities contribute materials and labor but not much by way of cash, generally passive participation. In Lango, communities have a history of local efforts to address local problems. Aduku urban community contributes towards primary school expansion, Wansolo community opened up a 27 kilometer road while Action Aid assisted Akokoro sub-county to open up roads too.

Communities reported that there were residual skills among villagers, e.g. in Acholi traditional birth attendants and healers, bicycle repairs, as well as in areas such as record keeping for meetings and financial transactions, local artisans in masonry, carpentry, tailoring, etc. as well as competencies in negotiating, procuring and contracting. In CAP areas, West Nile, on the job training was provided to pump mechanics and construction workers.

**Community perceptions of external institutions:** Community perception about the local governments (LGs) system's ability to deliver services to them is, unfortunately, negative. LGs, especially at levels above the village, are considered by the communities as non-responsive to their needs; non-participatory in their planning methods; not transparent in resource management and corrupt at worst. Even where the community perception about the LGs is positive (Karamoja and West Nile), it is only the village level LGs, and even these do not escape accusations of corruption and lack of transparency in resource management. The favorable perception at this level in the two regions is because of their closeness to the communities and their ability to resolve conflicts amongst the community members. In Karamoja, it is largely because the village LGs are made up of the few literate (actually semi illiterate) residents.

On the other hand, the community perception about NGOs/CBOs is generally positive; most of them involve the communities in the planning and management of the services that they deliver to the communities, and most importantly, they deliver what they promise the communities. The communities view their partnership with these agencies as generally productive, even in communities where the village LGs are also perceived favorably. Communities themselves are willing to work through their own organizations/groups to deliver development services to themselves, and the potential is great and not without precedent; there are organizations (women groups, youth groups, water management committees, school management committees, CBOs and other self-help initiatives) already doing this. Community participation (including contributions too) in existing programs is already great in those implemented by local NGOs/CBOs, but rather scanty in those by Kampala run International NGOS and government. Communities in West Nile expressed concern that they are left out of the decision making process by the district and sub-counties regarding the construction of schools under the School Facilities Grant (SFG). Centrally determined norms and standards may not apply to communities in conflict areas and where displacement has been significant, hence the need to involve communities in both locating, design and actual construction of school facilities including classrooms, teachers houses, latrines, water sources and rubbish disposal dumps.

**Access to information:** There exists organizations and sources of information through which development messages can reach the communities. They include, but are not limited to, village meetings, local FM stations and radios, newspapers, posters and traditional sources like drums, horns, songs drama and clan meetings. These can easily be harnessed to develop an IEC strategy for NUSAF.

### **Conclusions and Recommendations**

- Involve all stakeholders in planning especially the grassroots levels, i.e. build partnerships and support CBOs, CSOs, private sector, individuals and households, as well as local government extension staff.
- Special attention should be given to vulnerable groups and specific programs developed to address the

plight of the disadvantaged

- Reduction of the impact of conflict and resolution of the conflict critical for poverty reduction; strong submission that the war is “useless and dangerous” and should end (Acholi p.84) and use of every group activity as an opportunity for peace building
- NUSAF should improve the capacity and make use of existing, tested and trusted community structures as entry points, and NGOs, CSOs and CBOs can be effective partners.
- Work with local government within the decentralization context and SWAPs, especially to improve management information production and flow to communities.
- Community sensitization through provision of (a) information to communities as a means to promoting development as well as (b) functional literacy classes; and
- The central role played by traditional leaders in some districts should be acknowledged through making them the first point in mobilizing communities for information dissemination, etc.

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In any correspondence on  
this subject please quote No.

ALD 141/205/12

15<sup>th</sup> May 2002

Mr. James W. Adams  
World Bank Country Director  
Uganda, Kampala

Dear Mr. Adams,

**Re: UGANDA; LETTER OF SECTOR POLICY FOR THE NORTHERN  
UGANDA SOCIAL ACTION FUND (NUSAF) PROJECT**

**Introduction**

The Government of Uganda hereby submits a request for a World Bank (IDA) credit to facilitate the implementation of Northern Uganda Social Action Fund (NUSAF) Project. The overall objective of the project is to empower communities in Northern Uganda (18 districts located in the North and East) by enhancing their capacity to systematically identify, prioritize, and plan for their needs within their own value system. It will implement sustainable development initiatives that improve socio-economic services and opportunities, thereby contributing to improved livelihoods by placing money in the hands of the communities. Specifically NUSAF will: will strengthen community participation, leadership development and resource mobilization, improve quality and access to social services and community-initiated infrastructure, support peace building and conflict management through local institutions and civil society organization (CSO), provide and facilitate support to vulnerable groups, especially the youth and women affected by conflict and provide institutional support to build capacity to manage the project, disseminate information, monitor and evaluate activities as well as strengthen the local government institutions that provide technical support to the project.

**General Policy Framework**

The Government of Uganda achieved over the last decade high levels of economic growth and macro-economic stability, mainly as a result of strict implementation of economic reforms and structural adjustment policies. As a result of these achievements the percentage of the population living below poverty situations in the country have shown very strong locational and regional

biases. Studies have revealed that rural areas are substantially poorer than urban areas both in economic and social terms. More specifically, the north followed by the east are the poorest areas of Uganda, both in terms of economic development as well as in the supply of public social services. The factors responsible for this disparity are prolonged civil unrest and armed conflict in most parts of the North, high population growth rate, effects of the HIV/AIDS pandemic, poor institutional development and service delivery in both infrastructure and social services, environmental pressures and so on. As a result, poverty in the North have actually risen as to the level of 66% in 2000.

To address this inequality, Government of Uganda implemented the Northern Uganda Reconstruction Project from 1992 to 1997 in the then 14 (now 18) districts in Northern Uganda. This was an emergency project intended to restore the basic social economic infrastructure and revive economic activities in the north after the war in 1992. The project was implemented in a post conflict situation and was therefore constrained ended by persistent disruptions delaying implementation of some sub-projects. However, the project realised a number of achievements. At the project closure, an evaluation rated it satisfactory and recommended that follow up operations should focus on community based interventions given the prevailing situation of insecurity and the consequent high levels of poverty that armed conflict, and other factors created in the North. It also recommended that any future interventions in the North. It also recommended that any future interventions in the North should have a decentralised management and involve the beneficiaries at all stages of planning and management.

After realizing the achievements in paragraph 2 above, it then became imperative that the focus of government changes to ensure that successes enlisted above are transformed into improved living standards and better well being for the people. Government therefore adopted poverty reduction as the fundamental objective of its development.

#### **Government Strategies to address Poverty**

Before the preparation of the Poverty Eradication Action (PEAP), which is Government's main medium term planning document, with a central objective of poverty eradication, poverty was dealt with using relief and rehabilitation programmes. This was followed by the programme for Alleviation of Poverty and Social Costs of Adjustment (SDA) studies, which formed a background to the PEAP 1997.

In 1997 not only was the first edition of the PEAP produced and implemented but also budgetary discipline was being expanded beyond the cash budget, which existed from 1992/93 to 1996/97. The sectors with the greatest impact on poverty eradication received priority in the budget. In this process, Government of Uganda developed a Comprehensive Development Framework (CDF), a process.

One of the areas of priority identified in the Medium Term Expenditure Framework (MTEF) is to promote broad-based growth that eradicates poverty. This is achieved through allocating resources to areas that impact directly in reduction of poverty, namely; major and minor feeder roads to lower transport cost and extend the market, especially for small holders. The Education Strategy Investment Plan (ESIP) to raise human skills levels, improvement in health service delivery and governance and accountability and so on.

In order to promote broad-based equitable growth and further contribute to poverty reduction, a great part of the development budget and the entire Poverty Action Fund (PAF) are allocated to those sectors and activities with the greatest impact on poverty eradication namely; roads with emphasis on feeder roads, education with emphasis Universal Primary Education (UPE), Primary Health Care, provision of clean water and environmental sanitation, provision of agriculture extension services to raise productivity for the poor, the majority of whom are small holders cultivating 0.5-2.0 hectares of land p.a. per household, economic functions most relevant to poverty eradication (water, lands and environmental protection excluding roads, district water conditional grants, district development plans) and National Security.

#### **Government prioritization of Poverty Programmes**

Government priorities are therefore identified in the four objectives/pillars of the PEAP namely; fast and sustainable economic growth and structural transformation (since it is a necessary condition for poverty reduction), governance and security, peace, democratization, transparency and accountability, justice and order. Actions that directly enhance the ability of the poor to increase their incomes, Plan for Modernization of Agriculture (PMA), Uganda Coffee Development Authority (UCDA), Cotton National Agricultural Research Organization (NARO), USP, valley dams and farm power and machinery roads, rural financial services and electrification, actions that enhance the quality of life, health, safe water, sanitation and education, sustainable environmental management through afforestation.

The NUSAF project will directly address the last two objectives of the PEAP by supporting and empowering communities to plan for, implement and manage community assets and infrastructure and by supporting vulnerable groups including the youth through skills, training and subsequent employment. Through supporting community reconciliation initiatives and traditional leadership and mechanisms for conflict management, the project build social cohesion and enhance the creation of social capital for sustainable development.

## **The contribution of NUSAF to Social Capital Formation**

The Traditional community safety community safety-net systems and social fabric of the people of the North has been greatly disrupted and weakened by the armed conflict, displacements and other factors that affected the North in the last two decades. As a result there is a general feeling of dissatisfaction and hopelessness among the people many of whom have lost the motivation and confidence let alone the energy to play roles in the development process. In this respect NUSAF through the CRCM and the VGs components will support social capital formation and the creation community cohesion i.e empowerment of communities in transition to peace. The investments in CRCM and VGs will improve the livelihoods of the conflict affected and thus promote social development and genuine participation.

## **Social Sector Policies**

NUSAF will initiate and support national policies and programmes within the context of the following national policies.

The Poverty Eradication Strategy and Plan of Action which implements a three Year strategy of poverty eradication consisting of measures to increase incomes of the poor, measures to improve leadership development and community reconciliation and measures to improve quality of life of the poor through provision of basic social human capital development strategies. Besides increasing the provision and access to social services, the project will raise incomes among families by enhancing communication and marketing of goods, and training and supporting the employment of vulnerable persons especially the youth.

The National Decentralisation Policy and Framework which aims at the devolution of responsibility to district, sub-counties and communities as a means of improving performance, financial transparency and accountability, effectiveness and sustainability. Under the policy, the private sector, including non-government organization and communities themselves are playing an increasing role in the provision of social services. In the context of development in Northern Uganda, NUSAF's strategy is to promote the attainment of the goal of community empowerment to enhance effective poverty reduction under decentralised development. Local Governments will adopt and develop criteria for selecting benefiting sub-counties and parishes under NUSAF based on poverty indices. NUSAF will facilitate the effective articulation of national, district, and community levels in terms of implementing the generally agreed broad mandates of these levels through the use of a sub-project cycle and in that way deepen the decentralization process.

The Gender Policy the NUSAF project processes to provide a coherent set of development strategies and outcomes for social transformation. These strategies will ensure that the disadvantaged groups, which are a majority in the North, are given equal opportunities, supported to get out of their disadvantaged situation and empowered to participate in mainstream development. By focussing on the disadvantaged, the project supplements the Social Development Sector Strategic Investment plan whose preparation is underway in the Ministry of Gender, Labour and Social Development.

The Plan for Modernization of Agriculture (PMA) NUSAF will build and rehabilitation of infrastructure and supporting improvements in ability of the youth and other vulnerable groups to earn incomes from skill jobs. In this way it will complement the PMA and NAADS which basically support interventions that focus on strengthening institutions that should be complemented with innovative approaches that focus on simulating community demand and farmer response such as PMA, NAADS.

The National Food and Nutrition Policy (NENP) which addressed food and nutrition as a major national resource for human development and economic growth, and as part of the political advocacy for a sustainable macro economic policy. The NUSAF project will meet the objectives this policy by providing targeted support to income generating and nutrition provision activities of the disadvantaged groups such as female headed household, orphans, persons infected and affected by HIF/AIDS, the aged and so on.

The National Education Policy which is geared toward improving accessibility, equity, quality and relevance of education with special focus on universalization of primary teachers houses, teaching materials, facilities such as laboratories, sports and recreational facilities, tanks for drinking water, sanitary facilities and latrines. These facilities will not only attract more children and teachers to schools in rural areas but also improve the quality and standards of primary and secondary education.

The National Health Policy which is centred on Primary Health Care (PHC) approach and accords priority in resource allocation to preventive services with emphasis on community participation and involvement in improving their own health. In line with this policy, the project will build community health infrastructure and provide water tanks in health centres and schools. In addition, latrines will be built at health units and schools to improve the sanitary conditions in the project area.

In implementing the above poverty eradication and social sector policies and translating them into programmes, government has received support from several development partners, including UNICEF, UNDP, UNFP, World Bank,

WHO, IFAD, DANIDA, CIDA, USAID, ODA, NORAD, GTZ, SCF (UK), EU and other multilateral and bilateral agencies.

#### **Sub-sectoral policies to be Implemented within the project time**

The Acholiland Programme this is a programme financed by the European Union focussing on the social and economic development of the districts of Gulu and Kitgum in Northern Uganda by injecting capital development fund in the local government systems to implement projects prioritised by communities and lower level local governments and enhancing the communities' ability to articulate their needs and build capacity of lower local governments to provide better quality services to the communities. NUSAF aims to facilitate Local Governments manage expectations through good training of community facilitators by competitively selected agencies. NUSAF has supported ongoing consultations through a working group to produce a standard tool of open-ended Participatory Rural Action (PRA) under the leadership of the Ministry of Local Government. This lower Government Participatory Planning Framework will assist communities articulate and analyze development issues in the context of their situations, and then identify, prioritize, and programme interventions needed to increase access to services. The PRA tool will be used by NUSAF and Local Government to integrate community empowerment issues including policies into bottom-up planning approaches being promoted by the Ministry of Local Government. In addition, by direct financing communities, NUSAF tends to develop and promote efficiency in community level investment for Local Governments to emulate.

**The Restocking Project:** As a result of the conflict and cattle rustling that went on in the Northern and Eastern Districts, the people lost their cattle, their main means of their livelihoods. Government sought to restore the peoples' livelihood a restocking project, implemented by the Office of the Prime Minister. The project is a long-term measure to enable the people in the areas concerned to once again restore their economic base and reduce poverty by owning livestock (e.g cattle, donkey, goats, sheep etc), and other livestock related infrastructure (e.g. ox-plough and relevant implements, animal health products, animal breeding inputs). NUSAF will support targeted efforts to tackle food insecurity and increase earning opportunities for the vulnerable groups such as female headed households, widows, through income generating activities and skill training.

The School Roofing Grant Given the historical background of the North described above, it is obvious that the education like other sectors suffered setbacks. The north scores poorest in terms of access and provision of primary education. Government therefore accessed a grant from the Japanese Government to provide school roofing iron sheets, ridges and nails for the construction and rehabilitation of schools. NUSAF will complement this project

by building teachers houses, water tanks, latrines, provision of desks, books and laboratory equipment.

The Disaster Management Policy The Department of Disaster Preparedness and Refugees in Office of the Prime Minister is at the moment working with UN agencies (WFP, UNHCR, UNICEF etc) to design a package for the resettling of the over 800,000 displaced persons living in "protected camps" in the project area. NUSAF will enhance this process by providing targeted relevant skill training to the youth that were affected by the armed conflict in one way or another. In addition, the principles of SAF will respond to the social values of the people and thereby enhance the capacity of the vulnerable to participate in directly funded local development projects through their own directly-elected leadership.

### **Build the knowledge and skills of communities**

The NUSAF project will mobilize communities to be able to plan for themselves and to develop scenarios, which they can use for the betterment of their own lives. NUSAF aims to facilitate Local Governments manage expectations through good training of community facilitators by competitively selected agencies and conducting extended PRA tool being developed will assist communities articulate and analyze development issues in the context of their situations, so that they can identify, prioritize, and plan interventions needed to increase access to services. The extended PRA tool will be used by NUSAF and Local Government to integrate community empowerment issues including policies into bottom up planning approaches being promoted by the Ministry of Local Government.

### **Increase awareness of communities' roles and rights**

The NUSAF project will support sensitization and advocacy activities carried out by the Ministry of Gender, Labour and Social Development

### **Collaboration between Government and Non-government entities**

Given the nature of the activities, the NUSAF project will be implemented at the grassroots levels by local NGOs and community based organizations (CBOs) including women's groups, saving groups and parents' groups. NGOs and other agencies that will be contracted to provide technical assistance and capacity building will support these organizations. At the district level, lead NGO will be selected through a competitive bidding process to take responsibility of implementing the project in the district. The lead NGO will identify other small NGOs in sub-counties with which it will work to implement the project at the district level.

### **Institutional Structure for project management**

The government through OPM established a multi-sectoral Task Force (MSTF) which consists of representatives of Permanent Secretaries of various ministries to lead the preparation process. The Permanent Secretary Office of the Prime Minister chairs MSTF. A national steering committee chaired by the PS/OPM will provide policy guidance and monitor NUSAF activities.

A NUSAF Management Unit (NUMU) will be a temporary capacity building mechanism to facilitate the incorporation of community needs and with support from central government line ministries). NUMU will primarily operate at three levels:-

- a) A National Liaison Office in the Office of the Prime Minister (Minister of State for Northern Uganda Rehabilitation) who will manage national-level coordination to ensure that various stakeholders are kept informed of developments within NUSAF.
- b) A regional office located in one district in the North to manage the provision of technical backstopping to District Councils in the 18 Northern Uganda districts.
- c) A District Project Technical Officer supported by an Accounts Assistant working in the NUSAF District under the Chief Administration Officer (CAO) to assist with the management of project activities in the districts.

NUMU will have a small complement of staff, relying mainly on sectoral ministry experts, consultants, NGOs/CBOs, the private sector and District Council staff to support community efforts in project management (planning, implementation, and evaluation).

### **Budget provision**

A Project Preparatory Facility has been accessed to pilot the NUSAF system over a period of six to nine months. In this phase, the Multi-sectoral Task Force will test out the proposed implementation arrangements, processes and procedures and delivery mechanisms in 32 sites, one in each of the 5 sub-regions of West Nile, Lango, Teso, Acholi and Karamoja. Consultants that participated in the Community Needs Assessment study are contained in Annex 12 attached.

In view of the importance that Government attaches to NUSAF, shillings 464,000,000/= (four hundred million) has been provided in the budget in this year's budget in this year's budget as counterpart funding from government to support the project activities during FY 2001/2002. For the FY 2002/2003, adequate provision would be made in the budget, within the MTEF to cover the GoU counterpart funds. In the poverty and eradication Plan of Action, government is committed to raise the share of basic services in the total

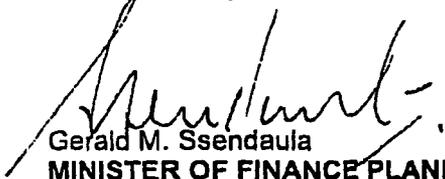
recurrent expenditure in the medium term to ensure adequate funding for sustainable levels of those services.

### **Conclusion**

Through the policy implementation and institutional support described above to empower and support the poorest communities in Northern Eastern through the provision of socio-economic infrastructure and assistance to vulnerable groups to be able to participate in mainstream development, the project is expected to reduce the gap in poverty levels between the North and East with the rest of the Country. This social protection type of intervention is needed in the North not only because the other mechanisms did not effectively deliver in these districts but also because it helps communities develop capacity to cope with menu of choices. In this way it brings confidence building and awareness creation as a pre-requisite for development.

Finally, I wish to thank the World Bank for its continued cooperation and support extended to the government of Uganda.

Yours sincerely,



Gerald M. Ssendaula

**MINISTER OF FINANCE PLANNING AND ECONOMIC DEVELOPMENT.**

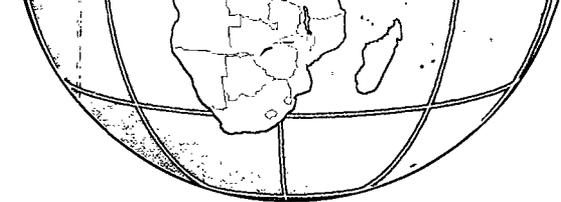
CC: RT. Hon. Prime Minister.

CC: Minister of State for Northern Uganda Rehabilitation  
Office of the Prime Minister.

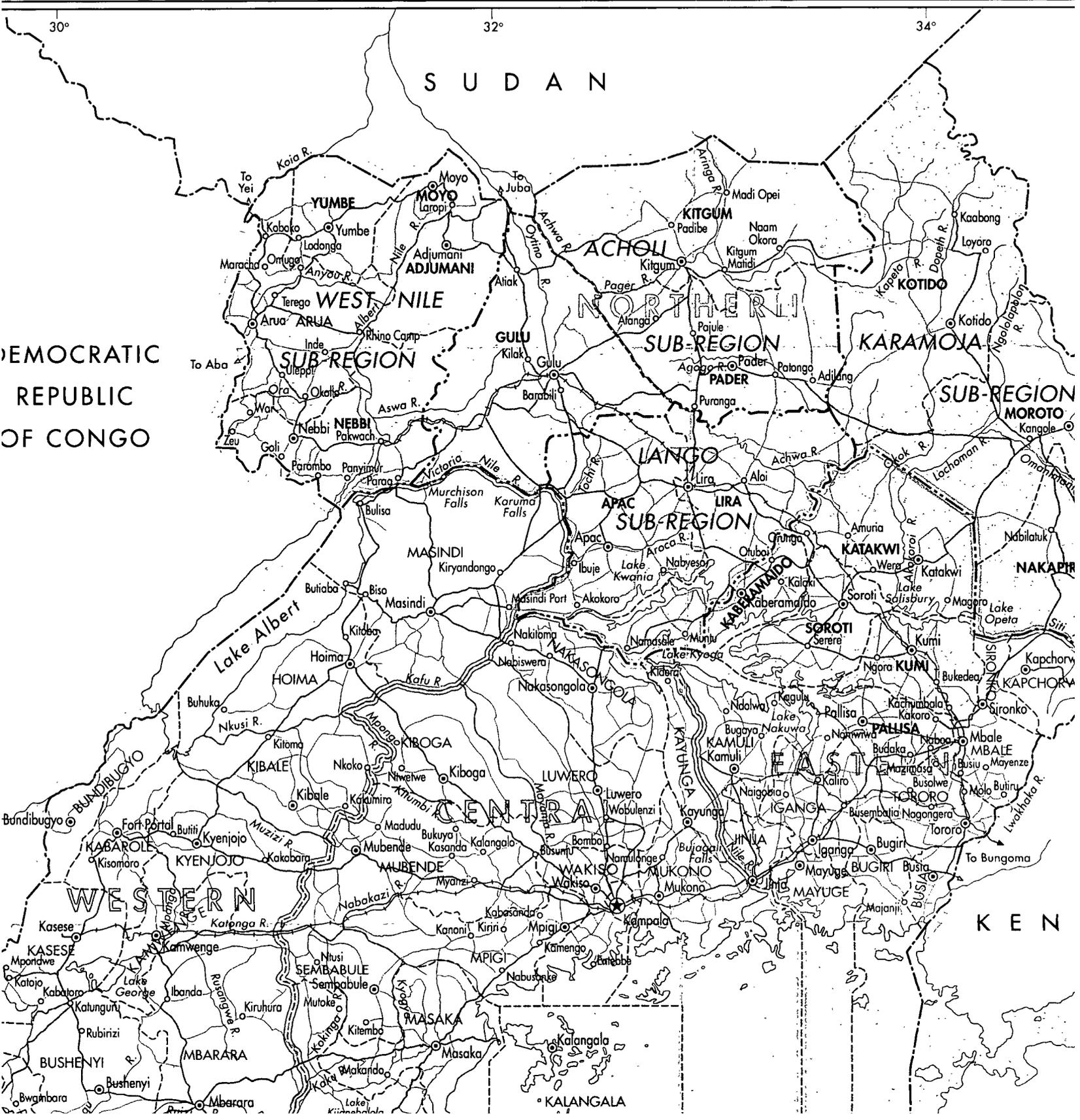
CC: Permanent Secretary/ Secretary to the Treasury.

**MAP SECTION**

- SELECTED TOWNS AND VILLAGES
- ⊙ DISTRICT CAPITALS
- ★ NATIONAL CAPITAL
- DISTRICT BOUNDARIES
- - - - - SUB-REGION BOUNDARIES WITHIN NORTHERN UGANDA
- ▭ REGION BOUNDARIES
- INTERNATIONAL BOUNDARIES



This map was produced by the Map Design Unit of The World Bank. The boundaries, colors, denominations and any other information shown on this map do not imply, on the part of The World Bank Group, any judgment on the legal status of any territory, or any endorsement or acceptance of such boundaries.



## IMAGING

Report No.: 23885 UG  
Type: PAD