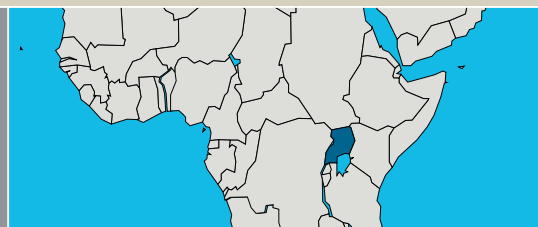




Evaluation of Norwegian Business-related Assistance Uganda Case Study

Report 6/2010 – Study



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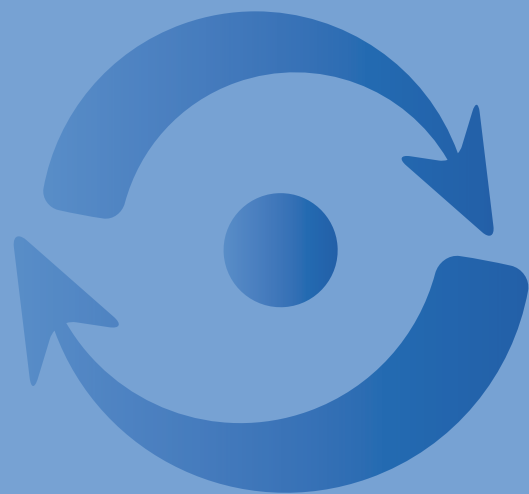
List of Abbreviations

ABS	Application-based Support
BDS	Business Development Services
BRAC	Bangladesh Rural Advancement Committee
CEO	Chief Executive Officer
CER	Certified Emission Rights
CGAP	Consultative Group for Assisting the Poor
CSR	Corporate Social Responsibility
DAC	Development Assistance Committee
Danida	Danish International Development Assistance
DCZ	Disease Control Zone
DFCU	Development Finance Company of Uganda
DFI	Development Finance Institution
DRC	Democratic Republic of Congo
EADB	East African Development Bank
ENR	Environment and National Resources
ERA	Electricity Regulatory Authority
FDI	Foreign Direct Investment
FK Norway	Fredskorpset Norway
FUE	Federation of Ugandan Employers
GDP	Gross Domestic Product
GIEK	Guarantee Institute for Export Credits
GNI	Gross National Income
GoU	Government of Uganda
GR	Green Resources
GSP	General System of Preferences
HSE	Health, Safety and Environmental (standards)
HSH	Handel og Servicenæringens Hovedorganisasjon
ICT	Information and Communication Technology
IFC	International Finance Corporation
KCC	Kampala City Council
kWh	kilo watt hour
LDC	Least Developed Country
MAAIF	Ministry of Agriculture, Animal Industries and Fisheries
MAF	Ministry of Agriculture (of Norway)
MCP	Master Craftsmen's Programme
MDG	Millennium Development Goal
MDI	Microfinance Deposit-taking Institution
MF	Microfinance

MFA	(Norwegian) Ministry of Foreign Affairs
MFI	Microfinance Institution
MIS	Management Information System
MMP	Matchmaking Programme
MNOK	Million Norwegian Kroner
MoU	Memorandum of Understanding
MPS and Eurep Gap	International flower certification systems
MSE	Micro and Small Enterprise
MTCS	Medium Term Competitiveness Strategy
MTTI	Ministry of Tourism, Trade and Industry
MUGX	Million Uganda Shillings
MW	Mega watts
NAG	Norwegian Afforestation Group
NCG	Nordic Consulting Group
NFA	National Forestry Authority
NFDS	Nordenfjeldske Development Services
NHO	Confederation of Norwegian Enterprise
NGO	Non-governmental Organisation
NIS	Business in the South
NMI	Norwegian Microfinance Initiative
NUMI	Dept. for Environment and Private Sector Development (of Norad)
NOK	Norwegian Kronor
OPIC	Overseas Private Development Corporation
OSS	Operational Self Sufficiency (ratio)
PA	Pride Architects
PEAP	Poverty Eradication Action Plan
PPA	Power Purchase Agreement
PPP	Public Private Partnership
PSD	Private Sector Development
R&D	Research and Development
REDD	Reducing Emissions from Deforestation and Forest Degradation
SACCOS	Savings and Credit Cooperative Society
SDR	Special Drawing Right
SF	Strømme Foundation
SFMEA	Strømme Foundation Microfinance East Africa
Sida	Swedish International Development Cooperation Agency
SIDI	Société d'Investissement dans le Développement International
SME	Small and Medium Enterprise
SPS	Sanitary and Phytosanitary Standard
SSA	Sub-Sahara Africa
TA	Technical Assistance
TI	Transparency International
ToR	Terms of Reference
UCPC	Uganda Cleaner Production Centre
UETCL	Uganda Electricity Transmission Company Ltd
UFEA	Uganda Flower Exporters Authority
UGX	Uganda Shilling

UIA	Uganda Investment Authority
UJAS	Uganda Joint Assistance Strategy
UIP	Uganda Integrated Programme
UMED	Uganda Meat Exporters Development
UML	Uganda Microfinance Ltd
UMU	Uganda Microfinance Union
UNIDO	United Nations Industrial Development Programme
USD	United States Dollar
USAID	US Agency for International Development
WTO	World Trade Organisation

Main Report



I. Introduction and Background

1. Introduction

1.1 Purpose of the report

An evaluation of the Norwegian business-related assistance over the last 10-15 years has been undertaken by Devfin Advisers on behalf of the Evaluation Department in Norad. The evaluation is based on four case countries: Bangladesh, South Africa, Sri Lanka and Uganda, all undertaken during the second half of 2009. This is the report of the Uganda study.¹ A Main synthesis report for the evaluation, based on the evidence of the four case countries, has been prepared and should be consulted jointly with this report.²

1.2 The objectives and methodology of the evaluation

The overall objectives of the evaluation are, according to the Terms of Reference (ToR):

- to document and assess past results and performance;
- to analyze the potential for improving Norwegian assistance in the future and preconditions for successful assistance in former and new partner countries; and
- to give recommendations on future policy and guidelines.

For Terms of Reference, methodology and the terminology used for the evaluation, please see Annex 5. A list of persons met in the context of the Uganda study is given in Annex 1 and documents referred to in Annex 2.

For a description of the Norwegian business-related assistance in terms of the organisations involved, the instruments used and the policy framework governing this assistance, please see the Main report. The broad conclusions in respect of the two last questions of the ToR are mainly contained in the Main report, while the focus of this case country report is on the first question, assessing past results and performance in Uganda.

In the evaluation the term *business-related assistance* is used synonymously with *private sector development* (PSD).

1 The Devfin Adviser team for the Uganda case study consisted of Lars Ekengren, Ann Jennervik and Barbara Vitoria. The Uganda report has been drafted by Ekengren.

2 Report 3/2010 Evaluation: Evaluation of Norwegian Business-related Assistance. Main Report

1.3 Structure of the report

This report contains three parts:

- An introduction including a review of the context for business development in Uganda, identifying the binding constraints for the sector; a review of the Norwegian commercial and official relationship with Uganda; and a mapping of the diverse Norwegian assistance for private sector development in Uganda over the last 10-15 years.
- A 'findings' chapter, which assesses the various Norwegian PSD programmes and instruments in Uganda in terms of results.
- A last chapter which sums up these programme evaluations and discusses how the programmes jointly perform against the Norwegian policies and strategies and the binding constraints for business in Uganda.

2. The Ugandan Context

2.1 Key development issues

Uganda has been one of the fastest growing economies in Africa during the last two decades. However, this growth has to be sustained in order for the per capita income to rise beyond the current USD 420. The population growth of about 3.2 % remains one of the highest in the world and will, if not addressed, pose serious development challenges. As a result of the population growth, children and youth below 15 years of age constitute more than half the population. The country's dependency rate is due to this factor the highest in the world.

Poverty has declined considerably as a result of high and broad-based growth. The Millennium Development Goals (MDG) to halve the percentage of the population in absolute poverty may be reached. However, there exist a considerable income gap between the relatively rich Southern and Western Uganda and the impoverished Northern and Eastern districts. Uganda was the first country to introduce a Poverty Reduction Strategy (in Uganda referred to as PEAP)³. HIV/AIDS prevalence had a peak in 1992 and has since been reduced by one third and stands at 6.4 %. Health indicators have also improved and Infant and Maternal Mortality Rates have gone down. The MDG targets in health will most likely not be met, however.

Uganda has a strategic position in the Eastern African sub-region and has exerted political influence (occasionally using military means) in neighbouring countries. The long-lasting civil war in the North against the Lord's Resistance Army has been a destabilising factor and has had regional repercussions. Uganda has also economically exploited the feeble peace and security situation in the Eastern Democratic Republic of Congo. The political scene has become increasingly turbulent after President Museveni decided to stand for a third term. Upcoming presidential and parliamentary elections in 2011 do already cast shadows on the political scene. Good governance and democracy may not fare well in the political turmoil. The donor community is increasingly critical against the government's and the ruling party's record in this respect.

On the economic front a recently signed agreement creating a Common Market for East Africa opens up new possibilities. Movement of goods and services and labour has been liberated and customs duties reduced within a geographical area covering five countries, among them Uganda.

³ Actually the then Secretary to the Ministry of Finance and current Bank of Uganda Governor Emmanuel Tumusiime-Mutibile who designed the PEAP programme may rightfully claim that he has inspired the World Bank to introduce the Poverty Reduction Strategy approach.

Table 1: Some basic economic facts 2006-2007 Compared to Sub-Sahara Africa (SSA)

GDP:	USD 11.2 billion
GNI/capita:	USD 340 (USD 420 in 2009)
Economic growth last ten years:	5.8 %
Population:	30.6 million
Population growth:	3.2 % (2.5 % in SSA)
Life expectancy at birth:	51 years (51 in SSA)
Infant mortality rate: (per 1000 live births)	78 (94 in SSA)
Literacy rate:	90 % (of population age 15+) (59 % in SSA)
Net aid flows:	USD 4.5 billion
Exports:	USD 2.0 billion

2.2 Government planning and donor coordination

The Ugandan government is currently preparing a National Development Plan 2009 - 2014 which will be discussed with the donor partners shortly. Twelve donors, among them Norway, have already entered into a close partnership with the government within the framework of a Uganda Joint Assistance Strategy (UJAS). This strategy was intended to be the principal instrument for the alignment and harmonisation of donor efforts and for the division of functions and priority sectors. It has been reported that a recent review indicates that the results of this coordination have been meagre so far - despite the high aspirations enshrined in the Paris and Accra Declarations. This is a reflection of the fact that donors are not prepared to take a long term view as they are increasingly critical of the government's agenda and its political will to face external and internal criticism on its governance and democracy record. This is exacerbated by the government's resistance against taking actions against various malpractices, including corruption at high levels.

2.3 The business and investment environment

Economic transformation Agriculture has always been the mainstay of the Ugandan economy with coffee followed by tea, cotton and sugar as the principal export crops, while plantain (banana) and maize are the main sources of staple food. Increasingly a diversification of agriculture has taken place into non traditional crops, like vanilla, sesame, soya etc (where Danida and USAID have been the most active donors). Horticulture has recently played an increasingly important role and so has floriculture. Fisheries, particularly from Lake Victoria, ten years ago became the second most important export commodity, but has lost much of its importance as it is increasingly being realised that the risks of over-fishing in the lakes are increasing. Of the service sectors, tourism has recovered as a substantial source of foreign exchange revenues.

Transformation into manufacturing has been a slow process. A major stumbling block has been that Uganda is landlocked and the neighbour of a relatively sophisticated producer country of agro-based industrial products (Kenya). The Small and Medium Enterprise (SME) sector has however become relatively strong, basing itself on a high degree of entrepreneurship, which is a characteristic feature in the Ugandan society. This has been aided by a phenomenal upsurge of mobile phone use and the increasing sophistication in the applications offered to cellular phone users. Private investors are also laying a fibre-optic cable for internet services along the eastern coast of Africa, which was due to reach Uganda by the end of 2009 and will increase the stability in the system.

Foreign direct investments (FDI) The Uganda Investment Authority (UIA) licensed USD 2.4 billion FDI, covering 349 projects. However, these figures exaggerate the actual inflow, which was USD 368 million in 2007⁴ as many licensed projects get delayed or are not implemented. The main investing countries (in the order of magnitude) are United Kingdom, Kenya, India, the United Arab Emirates, South Africa, China and USA. The influx of Foreign Direct Investments (FDI) from the Middle East and Asia (notably China) is a new phenomenon, much welcomed by the Ugandan authorities. As already noted telecommunications has been a major growth sector during the last few years. In terms of new licences issued by UIA 2008, the largest were also in favour of two companies in this sector, one registered in Singapore, the other in Belgium.

Capital market Uganda's capital market is open to foreign investors. 15 % withholding tax on monies transferable abroad is imposed by the government. The Kampala stock exchange with six quoted national companies is open to cross-listing with neighbouring exchanges and includes four Kenyan companies, Kenya Airways and East African Breweries among them. Bank of Uganda, the central bank, is well respected for its supervision function of the 21 commercial banks licensed in Uganda (most of which are foreign owned). The banks are well capitalized and do not have serious problems with non-performing loans. The financial crisis has only had marginal effects on the banks as they have had limited exposure to the international markets. Lending rates are high (16 - 22 % on loans to prime borrowers) and so are margins. The banking sector's increasing sophistication and width is shown by the fact that a recent loan syndication raised USD 100 million for a private sector borrower.

Doing business Uganda is ranked as a moderate country in terms of the regulatory framework for 'doing business' in the World Bank and IFC's 2010 Doing Business Report. Uganda, with a ranking of 112 out of a total of 183 countries in this index, compares favourably with, for example, India (133) and Tanzania (131) but unfavourably with most countries in East Asia, and to Rwanda (67) and Kenya (95). The Doing Business trend over the last four years, which is probably a good proxy for the whole of 2000s, shows a marginal improvement over time.

4 U.S. Department of State: 2009 Investment Climate Statement - Uganda, February 2009

Table 2: Doing Business in Uganda⁵

Criteria	Rank 2010	Trend 2007-2010
Doing business overall	112	Slight improvement
Starting of a business	129	No change
Dealing with construction permits	84	Some improvement
Employing workers	7	Slight improvement
Registration of property	149	No change
Getting credit	113	No change
Protecting investors	132	No change
Paying taxes	66	Some improvement
Trading across borders	145	Varying trends for different sub-criteria
Enforcing contracts	116	Slight improvement
Closing a business	53	No change

Competitiveness. In the World Economic Forum's 2009 Global Competitiveness Index Uganda is ranked 128 out of 133 countries. Uganda's rating in this index is lower than that of her neighbours Kenya (93) and Tanzania (113). Uganda has even slipped as compared to the 2007 rating when it was 116 out of 128 countries. The index which is based on a survey of the perception of businesses ranks as the weakest point 'Access to financing' followed by 'Corruption', and 'Inadequate supply of infrastructure'. Uganda, as most other African countries, has a factor-driven economy, different from an efficiency-driven economy (as Sri Lanka) or an innovation-driven economy (as Norway).

Corruption The best known among the various country indexes is the Corruption Perception Index, presented annually by Transparency International (TI). Here Uganda ranks in 2009 as 130 out of 180 countries. Uganda is thus considered less corrupt than Kenya (146) while Tanzania gets a better ranking (126). And so does Rwanda (89). Uganda's score in 2009 is 2.5, slightly lower (worse) than previous year's 2.6. In a separate survey (the Global Corruption Barometer) where 69 countries are listed, the respondents were asked to indicate which sector was most corrupt out of six. The judiciary came out highest (worst) in the case of Uganda, closely followed by public officials/civil servants. The business sector achieved a relatively low score.⁶

2.4 Binding constraints for economic growth and private sector development

An important conclusion in the World Bank's most recent country economic memorandum⁷ is that "Uganda does not need a fundamental change in growth strategy", as the economy is doing rather well. However, Uganda cannot continue to evolve

⁵ World Bank and IFC Doing Business 2010 (www.doingbusiness.org)

⁶ It may be of interest to note that in the case of Norway almost 2/3rd of the respondents considered the business sector to be the most corrupt of the six sectors (see TI Global Corruption Barometer 2009, page 30).

⁷ Uganda Moving Beyond Recovery: Investment and Behaviour Change, for Growth, September 2007 (vol. I)

along its recent growth path. Structural transformation is necessary so as to face a looming demographic time bomb. An increasing share of Uganda's fast growing workforce will have to find off-farm employment. It seems unlikely that the burgeoning low returns and capital formation in the informal rural enterprise sector will provide enough jobs with the required level of productivity. Further growth will by necessity be more urban, more infrastructure dependent and more export-led, and will require more private investment in machinery and equipment than today. A prerequisite for such investment is that it relates to products and services which can be competitively exported. To avoid widening inequality in Uganda, such growth will have to be regionally balanced and make use of Uganda's abundant agricultural resources.⁸ Much higher FDI will be required and the banks have to do a better job of channelling savings to those who need credit. In terms of behaviours change, the government must refrain from trying to pick winners and stop supporting losers and must maintain an open and transparent dialogue with representative business groups to identify bottlenecks and market failures.

The over-arching binding constraint is according the World Bank **poor infrastructure**, which leads to extraordinarily high indirect costs, relative to other countries. The by far most important constraining infrastructure sub-sector is **energy**. The report notes that electricity use by households is stunningly low and that electricity self-generation at high costs is the norm for large firms. The cost savings for Ugandan firms from being able to substitute self-generated electricity for public grid electricity are huge. Second to energy comes **transportation**. Uganda's international freight transport costs are high even among land-locked countries. Poor rail services are a major cause, which in turn leads to non-traditional exports being transported by air. The problem is compounded by poor road services through Kenya and congestion at the Mombasa port.

⁸ In a footnote the Bank mentions that insufficient information was available on the discovery of oil at the time of drafting the memorandum.

3. Norwegian Relations with Uganda

3.1 Norwegian development cooperation

Norway had extremely limited contacts with Uganda during the General Amin time and immediately thereafter. After President Museveni and the National Resistance Army had taken over from the previous irrational regimes in 1986, direct bilateral assistance was initiated. Cooperation was strengthened in 1996 with the signing of a Memorandum of Understanding (MoU) and the establishment of an Embassy in Kampala. The first MoU covered a five year period and was succeeded by another one, also for a five year period up to 2005. The main areas of support for Norway agreed in the MoU were: 1) Good Governance, Democracy and Human Rights; 2) Economic Growth and Private Sector Development (herein the energy and forestry sectors were mentioned in particular); and 3) Social Development (health, university education and support for Northern Uganda). Cross-cutting issues were also stressed such as HIV/AIDS, gender, sustainable management of natural resources, capacity building etc.⁹

The MoU was reviewed in 2004 which resulted in a renewed emphasis on PSD. It was further postulated that it should have “a special focus on the energy sector”.¹⁰ No new Norwegian-Ugandan MoU has been agreed on thereafter. Norwegian aid from 2005 onwards has rather been linked to the UJAS process and to Ugandan priorities as expressed in the PEAP Programme for 2004 - 2008. Five priority areas have been selected: 1) Energy; 2) Environment and Climate change; 3) Governance linked to Budget Support; 4) Gender; and 5) Peace and Reconciliation.

Private sector is no longer a sector in its own right. The Embassy notes however in a programme document that promotion of PSD is a main priority in terms of workload and that “considerable efforts and resources have been used to promote bilateral economic ties between Norway and Uganda.”¹¹ Norway has indicated her preparedness to reduce the number of sectors in line with the Paris Declaration. But the Embassy notes that the division of labour process among donors has stalled as it does not have the necessary support from some ministries and donors.

9 Guidelines for Norwegian Development Cooperation with Uganda 2001 - 2005, Norad December 2001

10 Embassy web page

11 Strategic Plan for Norway's Development Cooperation in Uganda 2010 - 2012, undated document

3.2 Norwegian commercial ties with Uganda

Trade relations between Norway are extremely limited. The below table with figures from Statistics Norway (www.ssb.no) illustrates this fact:

Table 3: Exports and imports from/to Norway/Uganda (amounts in million USD)

	2005	2006	2007	2008	2009 (Jan - Oct)	Total 2005 - 2009
Exports	1,2	0,6	2,6	2,5	3,0	9,6
Imports	2,4	2,1	1,8	2,2	1,3	9,7
Thereof GSP	n.a.	1,5	1,2	1,9	n.a.	n.a.

Total exports for the five year period amount to USD 9.6 million, while the imports total USD 9.7 million. The average annual trade in both directions is thus USD 4 million. The annual Norwegian trade during the same period with Kenya and Tanzania is substantially larger, USD 43 million and USD 22 million, respectively. By way of comparison it may be noted that Norwegian trade with South Africa totals USD 383 million. The Uganda trade figures thus only correspond to 1 % thereof.

The GSP system within WTO gives developing countries, and particularly LDC countries, preferential treatment, when exporting to developed countries. Such treatment is given to all industrial exports. As regards agricultural goods more complex rules apply. Products such as bananas, rice and sugar are not given preferential treatment. Norway follows by and large the EU regulations.

Foreign Direct Investment. Statistics Norway has for the period 2003 - 2007 only recorded one Norwegian investment in Uganda (in 2005) of NOK 9 million, net. The investment figure for Tanzania is much higher for the corresponding period or NOK 202 million, net. No investments are recorded for Kenya. As noted earlier the Uganda Investment Authority (UIA) records licenses given to potential investors but has no system to follow up whether the investments were actually made.

4. Norwegian Business Related Support in Uganda

4.1 The support in the 1980s and 1990s

The support started in 1982 when an allocation was made to the East African Development Bank (EADB) for the rehabilitation of Ugandan industry. Industry at that time had been extremely run-down by looting and rampant insecurity during and immediately after the Amin regime and the short-lived regimes thereafter. Asian business owners and managers who had been expelled from the country in 1974 started to return, now being welcomed by the government. Working capital to get the industry moving was urgently needed. At the same time the Ugandan banking system and system of government was so fragile that the Norwegian government and Norad opted to channel the funds through EADB. The Bank had survived the political turmoil, which constituted the situation in East Africa in those days and which had caused the East African Community to collapse.

A second tranche of the Norwegian working capital facility was provided to EADB in 1987 after the revolutionary forces of Yusef Luleki had come to power and established itself as the ruling National Resistance Movement. In total this rehabilitation fund obtained NOK 30 million and had to revolve twice in Uganda before the funds were considered as a grant in favour of EADB. In addition, Norway provided 7,1 million SDR (Special Drawing Rights) to EADB, corresponding to some USD 11 million, of which 2,2 million SDR was utilised for the allocation of shares to the governments of Kenya, Tanzania and Uganda, while the remainder still appears on the balance sheet of EADB as a contribution to a Capital Fund¹².

From the 1990s, direct PSD and business related assistance became part of Norwegian bilateral assistance to Uganda. In 1992 energy was taken on in that Norway participated in the rehabilitation of the Owen Falls hydropower project. Other early energy projects related to the refurbishment of the transmission system (in particular a number of sub-stations therein) and institutional support to the Ministry of Energy. Similar capacity building took place in other areas which were considered key for the improvement of the enabling environment for business. At this time the still ongoing institutional collaboration between the Confederation of Norwegian Enterprise (NHO) and the Federation of Ugandan Employers (FUE) was initiated. Support to forestry development also started, where Norway through Norad took the responsibility to assist the Ugandan government to create a National Forestry Agency (NFA), which early on obtained institutional support from Statsskog.

¹² EADB Annual Report for 2008

An American Non-Government Organisation (NGO), Pride Africa, established itself in the three East African countries in the mid-1990s. Norway soon focused its support on Pride's Ugandan operations. Initially, Austria also provided support to Pride Uganda but soon dropped off leaving Norad as the sole provider of grant funds to this first Ugandan microfinance institution, which operated according to commercial principles. In parallel Norwegian church organisations and the Strømme Foundation gave support to charity-based microfinance organisations.

Norad's soft loan scheme, which provided subsidised credits to companies set up on a joint venture principle or with strong Norwegian participation through management, technical skills and resources and equipment, had its first loan project in Uganda in 1992. This was a fish processing company with minority equity participation from a Norwegian firm. This project was followed by a transport company in 1996, 50/50 owned by Ugandan and Norwegian partners. The third joint venture company was established at the same time for rose production and exports, emulating the success story of Kenyan floriculture on the export markets. These projects are discussed in detail below.

4.2 The NIS studies in Uganda

Uganda was one of focus countries selected in 1998 PSD Strategy for detailed studies, the so called NIS studies. The aim of the studies was to promote economic growth as a means of reducing poverty and to identify possible areas of support and to explore the modalities for PSD support within the framework of development cooperation. Two studies were made in Uganda. The first study, NIS I in 2002, was carried out by a team consisting of representatives of Norad in Oslo and Kampala, the Norwegian private sector and consultants. It focused on the enabling environment for business development. It took as a starting point the Ugandan government policy document (the Medium Term Competitiveness Strategy, MTCS), which listed six priority areas:

- Reforms in infrastructure provisions
- Strengthening the financial sector and improving access
- Commercial justice sector reforms
- Institutional reforms
- Reforming export sector impediments
- Improving business environment for SMEs

The NIS study team considered the Ugandan MTCS "a highly interesting document that is analytical and honest in its description of PSD constraints and what needs to be done. Few similar documents with the same force, have been published by any government in Africa" according to the team.¹³ It reviewed the current Norad project portfolio, which included the above soft loan projects and also:

- A UNIDO Programme, in which Norad initially supported the food and textile sectors
- Support to the International Law Institute
- A Commercial Justice Reform Programme
- Institutional Support to the Inspector-General of Government
- The SME/Micro and Small Enterprise Unit of the Ministry of Finance

¹³ Norad: Study on Private Sector Development in Uganda, September 2002

The NIS team expressed concern about the fragmentation of the Norad portfolio. However, no concrete proposals were made in this respect. The study team proposed however a number of criteria, which could be used as a funnel for future PSD support:

- The projects must be included in the MTCS key areas
- They must have the potential to spread growth and to reach poorer sections of the population
- The areas should be crucial for PSD
- The support must take into account other donors' support
- Supported projects should to the extent possible use Norwegian public and private sector competence.

Four areas were proposed, where Norwegian interventions would assist the Ugandan government to improve the enabling environment: 1) Support to improved infrastructure; 2) Fighting corruption and improved governance; 3) Improved framework for SMEs and 4) Development of competitive exports

NIS II was carried out a few months later by a business team, led by NHO. The team listed a number of investment opportunities and areas where Norwegian business had a contribution to make, noting the positive business culture with high standard in management, good quality performance, and the ability to meet environmental challenges which Norwegian industry represents.¹⁴ The mission recommended a follow-up by an exchange of business mission between Norway and Uganda. NHO, with the support of Norad, organised such exchanges in 2003/2004.

4.3 Norwegian PSD support since the mid 1990s in figures

Identifying Norwegian PSD support in Uganda is complicated as such support is delivered through a multitude of channels, largely operating independently of each other. Below is an attempt to provide a consolidated list of PSD programmes and projects undertaken since the late 1990s in Uganda. The list is based on a narrow interpretation of PSD support. Assistance to energy, forestry, good governance and enabling environment in a broad sense is not included. This is in line with the overall approach in the Evaluation, and also with the current Norwegian aid programme in Uganda, where such support is not considered as private sector-related as it is run by public sector institutions or by international or national NGOs.

The table also includes sub-regional funds operating in Uganda, which are supported by Norwegian institutions.

¹⁴ Private Sector Development in Uganda, Phase II, January 2003

Table 4: Norwegian PSD assistance to Uganda (programmes/projects marked with an asterisk (*) have been evaluated by us)

Programme	Year	Stage	MNOK ¹⁵	Description
Embassy programmes				
* UNIDO country programme	2000-07	Exited	36,1	Includes four components: Food industry supply chain; Textile and garments Women Master Craftsmen; Cleaner Production
* PSD/SME Policy Unit, Min of Fin.	2000-07	Exited	10,8	Policy development for microfinance and SME sector
Enterprise Uganda	2003-05 2007-10	Ongoing	9,3	Entrepreneurship development. In the second phase, emphasis has been on women entrepreneurs
* Bugoye Hydropower	2008	Operation just started	60,0	Grant in connection with Norfund/ Trønder Energi investment. Decision taken by Ministry of Foreign Affairs (MFA)
Norad programmes¹⁶				
* Application-based support	From early 90s	Ongoing	8 - 10	Data lists probably incomplete
NHO - FUE Cooperation	1998-	Ongoing	3,5	Institutional collaboration Confederation of Norwegian Enterprise - Federation of Ugandan Employers
* NHO Facilitation Programme	2002-	Ongoing	4,6	Implemented by NHO
* Pride Africa	1999-2004	Exited	35,8	The establishment of a large MFI (Microfinance Institution) up to it becoming a MDI supervised by the central bank
* Soft loans	1992-2000	Two loans exited, one ongoing	15,9	Three soft loans: fish processing (10,5 MNOK), lorry transport (2,24) and rose production (3,2)
* Meat processing project	2009-2010	Interim phase ongoing	20,0	Interim phase of large meat processing project prepared by Nortura. Next phase will presumably include IDA credit
* DFCU/Abacus	2007	Ongoing	5,8	Facility that covers administrative costs, reduces currency conversion risk and provides TA to SMEs. Collaboration with Norfund

¹⁵ The figures refer to gross commitment/disbursements. Repayments of loans are not accounted for in the table nor are earnings in connection with exits. The most spectacular exit was the sale of UML to Equity Bank (Kenya), which for both Norfund and Aureos EA in three years led to an upside corresponding to more than four times the original equity price paid. However, the full upside is not realised as the shares were in part paid for by Equity Bank in the form of shares, which are now being sold on the Nairobi stock exchange.

¹⁶ The Norad programme includes also support to trade facilitated by Handel og Servicenæringsens Hovedorganisasjon (HSH). This programme is not evaluated as it is outside the scope of the TOR for this study.

Programme	Year	Stage	MNOK ¹⁵	Description
* Strømme Foundation)	2000-2009	Ongoing	34,7	Support through Strømme Microfinance East Africa to microfinance clients (loans, grants and TA)
Norfund				
* DFCU/Abacus	2007	Ongoing	18,5	Loan fund for SMEs subsidised by Norad
DFCU	2005	Ongoing	33,9	Equity (17,6 MNOK) and subordinated loan (16,3MNOK)
* UML (Uganda Microfinance Ltd)	2004-2008	Shares sold (exit)	13,0	Equity participation (incl. loan converted to equity) jointly with Aureos EA.
* Bugoye Hydropower	2008	Operation just started	48,3	Equity (8, 5 MNOK) jointly with Trønder Energi. Loan (39,8 MNOK)
Scanwater	2009	Not started	2,5	An LDC loan not yet disbursed
* Aureos East Africa Fund (regional)	2003	Ongoing	50,9	Equity participation (20 %) managed up to 2009 by Aureos Capital. Hq: Nairobi
* BRAC Uganda (regional)	2008	Ongoing	34,8	Microfinance provider (MFI) with Norfund loan. Hq: Kampala
Africap Micro-finance	2007	Ongoing	17,3	Equity participation (7,1 %). Hq: Johannesburg
Africa Infrastructure Fund	1999	Ongoing	36,7	Norfund equity participation (1,2 %). Nothing in Uganda (?). Hq: Washington
Grofin Africa Fund (regional)	2008	Ongoing	100,7	Norfund equity participation. No approvals yet in Uganda. Hq: Mauritius
Micro Africa (regional)	2006	Ongoing	4,9	Norfund equity and loan participation. No approvals yet in Uganda. Hq : Nairobi
AMSCO (regional)	2001	Ongoing	1,8	Norfund equity participation (4,8%). Management company. Hq: Nairobi
FK Norway				
* North-South, South-North collaboration	2002-2009	New decision every year	4.6	Norplan beneficiary; Strømme and Green Resources beneficiaries

In sum, the Norwegian PSD support to Uganda from mid-1990s amounts to some USD 75 million or NOK 447 million (commitments). Of this total Embassy support represents 25 %, Norad support 29 %, Norfund investments 35 %, support by FK Norway 1 % and own resource mobilisation by Strømme Foundation 10 %.¹⁷ It should be noted that the support is a mixture of grants, equity, and loans; commercial and soft.

This evaluation covers USD 65 million or 87 % of the total Norwegian aid commitments to the private sector during the period under review. Hereof exited projects represent only USD 18 million. This indicates that the Norwegian portfolio of programmes and projects in Uganda is rather new and quite a few of the ongoing projects are not mature in the sense that their results have reached a level of stability. This is a factor which has to be taken into account when the validity of the evaluation is appraised.

The amount committed for microfinance in Uganda totals USD 26 million (35 %), while the sum for investments, including studies preceding such investments and training, is USD 40 million (54 %). Business-related enabling environment projects, including institution and capacity building unrelated to investments, total USD 8 million (11 %). No new projects in this last category are being considered as private sector development is no longer of priority in the Norwegian aid programme.

¹⁷ The split refers to which organisation took the decision on the different programmes and projects. Therefore 60 MNOK are allocated to the Embassy/MFA in respect of the Bugoye project and 20 MNOK to Norad in respect of the meat project.

II Findings

5. The NHO Facilitation Programme

5.1 The programme

The Confederation of Norwegian Enterprises (NHO) has set up a special PSD Secretariat funded by Norad to promote increased cooperation between Norway and developing countries. In Uganda, the Secretariat has two principal activities, one being institutional support to the Federation of Ugandan Employers, the other business cooperation between Ugandan and Norwegian business sectors, notably through joint ventures and investments. The latter is not a formal matchmaking programme in the Norwegian PSD terminology but has similar purposes as the Matchmaking Programme (MMP) of Sri Lanka or South Africa. There is a difference in the sense that Norwegian aid, beyond Application Based Support, has supported the implementation of some of these NHO projects. The programme started in 2002 and was operating at full strength by 2004.

A review on behalf of Norad has been made recently of the activities of NHO in Uganda by the Nordic Consulting Group (NCG).¹⁸ The text below draws on the findings of this review, but takes the analysis further with regard to projects facilitated by NHO.

As noted in the NCG report NHO has been given a broad mandate to facilitate and advise on cooperation between Norwegian and Ugandan companies. No specific qualitative or quantitative objectives have been set out, nor any criteria or indicators upon which the programme should be assessed and the performance measured. The flexibility of the approach was stressed in the report. Lacking any specific objectives in the programme documents, the NCG considers the actual number and size of potential investments and business deals and how many of them have resulted in “real projects”, as a reasonable proxy to programme outputs. But this is a floating target as “potential investments” are not a concept which lends itself easily to measure. The NCG also draws a distinction between facilitation and marketing, the former being a central area for the programme, the latter being slightly out of bounds, particularly if it is not preceded by or combined with analysis. The NHO stresses that the programme should be seen as a pilot one, a fact which is not corroborated in the NCG review.

The programme has not only focused on a narrow business to business approach, but has also included arrangement of business delegations, seminars on Corporate Social Responsibility (CSR) and business culture and establishment of an African

¹⁸ Review of Confederation of Norwegian Enterprise PSD Program and the Cooperation Program with Federation of Ugandan Employers, Uganda, NCG and Friends Consult, March 2009

network for Norwegian businesses and a joint office for Norwegian companies in Kampala, offering employers services through FUE and other business-related services. In Oslo, NHO has had two dedicated persons working on the programme in 50 % positions.

The conclusions of the NCG review of the programme were that it should be continued under more structured ToRs, that it should be guided by specific performance criteria and that its many experiences should be systematically documented. These criteria will guide the next phase of the programme, which will most likely also include Kenya and Tanzania, as proposed by NCG.

5.2 Outcomes and results as set out by the Nordic Consulting Group

A table in the NCG report summaries the results of the involvement by NHO in eight projects which have reached the investment stage or are moving forwards towards investment.

Table 5: NCG's results table

Project	Partners	Size and extent	Status	Role of the NHO project
1. Export-oriented Meat Industry	Nortura (Norway), Uganda Meat Exporters, Min of Agriculture (Uganda)	Large PPP, total investment 50 - 55 MUSD	First phase of 20 MNOK started	The NHO project has played a significant role***
2. Forestry	Green Resources (N)	Two commercial plantations of medium scale; expansion intentions	In operation, looking for industrialisation options + CDM	NHO has played a limited role
3. Bugoye Minipower	Trønder Energi (N), Government of Uganda	PPP, total investment 55 MUSD with 10 MUSD from MFA (N)	Soon finished *	NHO has played a very limited role
4. Housing Estate	Pride Architects (N), Oscar Ind (U)**	2200 houses planned with an innovative building concept	Still at planning stage, looking for financing	NHO has played a significant role***
5. Waste Management	Norema (U), Reno Norge	Waste management, running 7 trucks	Major problems with client KCC. Trucks mostly parked. Limited contact between partners	NHO has played a medium role

Project	Partners	Size and extent	Status	Role of the NHO project
6. Tilapia (aquaculture)	Genomar (N), Fourways (U)	Integrated production, good potential	Genomar dropped out, project stopped, no luck finding new partner	NHO has played a substantial role
7. Aquaculture	Mester Grønn (N)	General aquaculture	Stopped after feasibility. Risk assessed as too high	NHO has played a medium role
8. Dairy	TINE (N)	Too early to say	Prefeasibility ongoing, interesting possibilities	NHO played an important role

N = Norway, U = Uganda

* Bugoye was commissioned in October 2009

** Oscar Industries has been replaced by a company named Akright

*** Elsewhere in the report NCG indicates that Nortura and Pride Architects would not have initiated the projects without the NHO facilitation

Below, the sample of sub-projects under the NHO Facilitation Project selected for evaluation is discussed more in detail.¹⁹

5.3 Assessment of selected NHO projects

Green Resources, a forestry project. Green Resources (GR), established in 1995 and majority owned by Norwegians, has become the largest afforestation company in Africa.²⁰ However, most of its plantations and virtually all its industrial operations are not located in Uganda but in Tanzania, while Mozambique is emerging as the second largest plantation country. In Uganda GR has plantations at Busoga some 90 km east of Kampala (100 % owned) and at Kachung near Lira in Northern Uganda. The commercial profitability is to be achieved by value creation of the forests (which includes afforestation, recreation of natural forests, efficient reforestation and carbon capture and storage) and by sales of forestry products as well as Certified Emission Rights (CER) under the Kyoto Protocol. Approximately 400 000 such CERs earned in Tanzania have already been sold (subject to the approval of the relevant United Nations organisation) by GR to the Norwegian Ministry of Finance.²¹

GR invested in 2008 using its own resources and funds obtained through an equity participation by a British timber fund as well as loans from Norfund (NOK 50 mill.) and IFC to launch a USD 64 million three year investment program to expand its saw mill operations and to set up a biomass-fired plant at Sao Hill, Tanzania.²² This

19 NHO has in addition worked on some 20 projects, where no Ugandan partner has been found or where the Norwegian partner has withdrawn. The list includes a large hydropower project, solar panels, wind mills, oil and gas, floor laminates, horticulture, construction of school buildings, plastic packaging, private hospital, x-ray laboratory, cadastre, honey product development, telecommunications, air safety, tooth brushes, biomass, insurance and young entrepreneurship. Some of these companies received funding under the Norad ABS scheme while others undertook feasibility studies at their own expense. The telecommunications project led to a contract between the Civil Aviation Authority of Uganda and Teleplan AS.

20 IFC Green Resources Summary of Proposed Investment <http://www.ifc.org/ifcext/spiwebsite1.nsf/1ca07340e47a35cd85256efb00700cee/8ED28B8DE91B8F6E8525742C004F2DF9>

21 <http://www.regjeringen.no/nb/dep/fin/aktuelt/nyheter/2009/nye-kontrakter-om-kjop-av-6-millioner-kl.html?id=562861>

22 Sao Hill sawmill was started in 1974, funded by Norad grants. The mill was leased in 1997 by GR, under its previous names Escarpment Forestry/TreeFarms, with loans (now repaid) from Norad/Norfund. GR bought the Sao Hill company in 2003 from the Tanzanian government

large and interesting Tanzanian project is not dealt with further in this Uganda case study.

GR has invested during the period 1996 - 2009 a total of USD 6 million in Uganda. By the end of 2008 the plantations in Uganda covered 3100 ha, of which in Busoga (Mayuge District in central Uganda) 2500 ha and in Kachung (in the north) 600 ha. GR has a 50 year renewable license to plant 9200 ha in Busoga. The company planted 595 ha in 2008. The plantation results for 2009 will be substantially lower due to problems with squatters, who encroach on the area demarcated for plantations by planting their own subsistence crops. The squatters, who frequently own land elsewhere where they produce sugar cane for cash sales, have support from local politicians and community leaders and also from leaders in power in Kampala.

Mayuge district has registered the highest rate (100 %) of deforestation on Uganda²³ due to use of wood as firewood, charcoal and building material but also for small scale farming in the past. The GR license implies reforestation of government land gazetted as forestry areas and controlled by the National Forestry Authority, a government agency. The Norwegian Embassy is the main financier of the forestry programme implemented by NFA. This programme has as objectives to ensure sustainable development of forestry plantations and to assure improved livelihood for communities adjacent to the forests (particularly in Northern Uganda). The conflicts which affect the GR at Busoga have a direct link to the Norway/NFA programme.

The earliest planted pine at Busoga is now ready for harvest. GR has therefore invested in a factory soon to be opened, which will produce poles for use in energy transmission and has early plans to set up a sawmill producing logs from eucalyptus. The pole factory will not only source its pine from its own plantations but also from local farmers.

GR employs 800 workers in Uganda, mostly as casual labour during planting season, and has launched an extensive community development and social programme linked to its Ugandan operations. It includes at Busoga health care (a dispensary and medical equipment), a community programme (HIV awareness programme for the employees and their families), water supplies (Busoga and also in Kachung) and the provision of seedlings for plantations by residents in the villages. Norad has provided a grant of NOK 782 000, using Application-based support (ABS) funds, to part finance GR's social responsibility and community development programmes. No aid funds have been used by GR for its investments in Uganda.

The ambitious plantation programme undertaken by GR is based on a clear business concept, which fits in well with Norwegian priorities in terms of renewable resources as well as the Norwegian REDD initiative.²⁴ GR has also ambitions to be a responsible employer and takes its social responsibility seriously.

²³ Letter by CEO, Busoga Forestry Co Ltd, quoting the NFA Biomass Study Report - 2009

²⁴ Reducing Emissions from Deforestation and Forest Degradation

GR through its plantation and industrial programme will help Uganda to meet a growing regional demand for timber for residential housing and poles for rural electrification and will provide substantial seasonal employment for a large number of workers.

GR is the only private Norwegian company, which also provides direct investments towards Northern Uganda. GR will therefore also provide development opportunities to the most poverty-stricken region of Uganda.

The problem of priorities of squatters operating in gazetted forestry areas not only affects GR but also the Norwegian forestry programme through NFA, and is considered a burden for GR as a private investor. This is part of a much broader land use problem in central and southern Uganda, one of the country's real challenges at a time of extremely high population growth.

Bugoye, a hydropower project²⁵ Uganda has severe power shortages mainly due to the delays in the implementation of Bujagali, a 250 MegaWatt (MW) hydropower plant, previously developed by a project developer, who got caught in the crisis arising in the aftermath of the Enron scandal. The World Bank Group was also the cause of the delays of Bujagali. The Bank had to revisit the project in response to critique by various stakeholders inside and outside Uganda for not having paid sufficient attention to various social and environmental issues. Uganda had to resort to the construction of expensive thermal power plants²⁶ to solve the immediate energy crisis until 2011, when Bujagali will get on stream, now promoted by a new developer. Uganda's strategy has also in the interim period been to develop small scale hydropower as the cost-effective and environmentally friendly solution to the prevailing energy crisis. The first such project is the 13.5 MW power project at Bugoye in western Uganda.

Bugoye is a run of river mini hydropower scheme, which was originally developed by SN Power.²⁷ SN Power decided however some three years ago to focus its operations on Asia and Latin America and therefore sold its rights to the project to Trønder Energi, a regional Norwegian utility company, which owns and operates 12 hydropower projects in Norway. Norfund got involved as a partner to Trønder and has assisted all along in the development of the USD 50 million investment project. Trønder has set as an investment hurdle for its participation a rate of return on equity of 17.5 %, which was only possible to achieve with the inclusion of (i) sales of CERs to boost the revenue stream from the energy sales to the transmission system and (ii) a grant of NOK 60 million (corresponding to 20 % of the capital costs) to reduce the financing needs for the equity partners (Trønder and Norfund) and the commercial lender(s). There is no Ugandan equity partner in Bugoye. The project will be handed over to the Ugandan government after 25 years of operations. Only 16 employees had to be recruited and trained by Trønder.

25 The Bugoye project could have been described as a Norfund project and Norfund has done most of the preparatory work. But most of the aid funds come from the Embassy country frame for Uganda on which the final decision was made by MFA. Norad has given a substantial technical input into the project

26 A 50 MW thermal power plant was supplied by Jacobsson Electro and Wärtsila (a Norwegian/Finnish consortium) on a BOT basis with commercial finance guaranteed by GIEK. The plant was commissioned in 2008.

27 SN Power AS was 50 % owned by Norfund at that time.

The Power Purchase Agreement (PPA) agreed by SN Power and the Ugandan transmission system owner Uganda Electricity Transmission Company Ltd (UETCL) prescribes a tariff of 12.9 US cents/kilowatt hour (c/kWh) for the first three years and 7.2 US c/kWh thereafter. Included in the project costs is financing of a 6 km feeder line to the main grid and resettlement of 21 households (some 150 persons). The project has been completed within budget some six months before schedule and is in operation since early October, 2009.

No problems have arisen during the construction period despite the fact that Trønder has no experience of developing and running power projects outside Norway. And no such problems, which the operational staff in Norway and Uganda cannot handle, are expected in the time to come. Trønder had adopted a method of procuring the civil works and equipment by three different contracts (two of which with Norwegian firms), which had turned out to be a less costly solution than the single contract procurement planned by SN Power. The resettlement plan is reported to have been implemented in close consultation with the local community and has given the beneficiaries access to better land than they had earlier. The few environmental issues related to the project are said to have been handled according to Ugandan laws and regulations.²⁸

As compared to thermal power stations, which charge 28 c/kWh, the power from Bugoye will be cheap. However, a second mini hydropower scheme that will come on stream in a few months (Mpanga, capacity 18 MW) will have construction costs per MW, which will be only half the costs of Bugoye. This will be translated into substantially lower tariffs per kWh payable by UETCL. Tariffs, included in PPAs, are on the Ugandan side set by the Ministry of Energy, UETCL and the Electricity Regulatory Authority (ERA), all of them relatively weak with limited experience of developing PPAs. In the Bugoye case the tariff structure was thus established by a weak Ugandan party that needed energy urgently, in negotiations with a multinational company (SN Power). It may be argued that the Norwegian aid authorities (the Embassy or Norad) should have offered Uganda expert assistance, when the PPA was up for negotiations, and thereby have the PPA negotiated by two equally competent stakeholders.

Rural electrification (including distribution) is a Norwegian priority in Uganda. The people living at the vicinity of the Bugoye power station (some 1800 persons) have, however, not been offered any electricity. By this oversight a minor risk may remain that they become hostile to the project.

The grant of NOK 60 million in support of Bugoye has been taken out of aid funds allocated for Uganda. However, it has been provided directly to Norfund to enable the fund to provide a non-interest-bearing shareholder loan or equity contribution to the company owned by Trønder and Norfund. This was the preferred solution to avoid the eventuality that the procurement for the project should have to be made on open tender according to Ugandan procurement regulations. The Norwegian authorities have concluded that the process would not detract from the Norwegian

²⁸ As the project is rather inaccessible, the Evaluation team was unable to make a site visit and has therefore to rely on secondary sources of information.

general policies of untied aid. However, the adopted solution has reduced Ugandan ownership of the project. It is now a wholly-owned Norwegian company partially funded by a grant taken from a country allocation to Uganda.

The Bugoye project helps solve the most problematic binding constraint that Uganda faces and it is a renewable energy resource project. It is the first privately owned hydropower project in Uganda and one of the first in Sub Saharan Africa. The project has high relevance and is catalytic and additional.

Norema, a waste management project Norema Ltd is a Ugandan company owned by a Norwegian citizen born in Uganda, who during his many years in Norway established a firm providing office cleaning services. Having returned to Uganda he decided to establish a similar firm, which in addition should develop garbage collection as a line of business. NHO sought a partner and identified Reno Norge, which is a major waste collector in Norway. After a preliminary visit to Uganda by its Chief Executive Officer (CEO), Reno Norge requested assistance from Norad for a study, which should establish the feasibility of a joint venture with the business idea to collect solid waste in Kampala. The main client was supposed to be the municipality (Kampala City Council, KCC).

In the feasibility study²⁹ it was recommended that the partners should go ahead with the project. A project document was prepared for a joint project with the objectives that Norema should become the leading solid waste operator in Kampala and regionally, and that Norema should contribute to fulfilling national policies, which aimed at a modern solid waste industry in the country. The long term vision of the project was that Norema should partner with other companies and that this expanded partnership would build a system for reuse and recycle of waste. Reno Norge should become the major shareholder of Norema. Two geographical divisions within Kampala were initially selected as primary markets for the new Norema.

The feasibility study included words of warning that it would not be easy to generate incomes for the company. The clients' willingness to pay for garbage collection services could be questioned. Another factor which was of concern was possible corruption linked to commercial contracts with KCC and private customers. Here the proposed policy was to create a "non corruption zone" by providing first class services that would be known and appreciated by the public, media and politicians.

Based on the Project document Reno Norge rehabilitated and shipped garbage collection vans, which were added to the small fleet of vans, which Norema had bought from local suppliers. No formal joint venture agreement was signed between the partners before this event. And no such agreement has been signed thereafter, which means that Reno Norge *de facto* has disposed of the ownership of the vehicles without any rights to reclaim them or use them as collateral.

Norema started operations just before the Commonwealth Conference in 2007, when cleaning of the city was of high priority. Already then the problems began,

29 Renonorden AS: Feasibility study and project proposal - 2009

which then persisted. The KCC was unwilling or unable to collect service payments from beneficiaries. Norema was a bit more successful with private clients (mainly industrial companies). The problems went from bad to worse when local politicians urged their constituency members not to honour their bills as waste collection should be a free service. Norema had to limit its services to clients prepared to pay. The customer base then became much too small for the company to operate profitably. The private clients could be served with only one collection van so the other vans had to be kept in store. This is the situation for Norema of today. Norema is still kept alive on the basis of office cleaning services, which have been kept outside the “joint venture” and never formalised.

The Norema project confirms what is common knowledge by DFIs and other investors who try to promote infrastructure projects in Least Developed Countries (LDC) and in Africa: sewerage and garbage collection projects are extremely difficult to make financially viable. This is a fact which should have been known by NHO and communicated to the partners. Customers in Africa and elsewhere are not prepared to pay for something they consider to be a common public good. Therefore, water and sewerage are mostly integrated into one single project, the idea being that customers are prepared to pay for water and accept paying also for garbage collection, if both services come as one package.

The Project document could be seen as a joint business plan for the partners - Reno Norge and Norema. But obviously it has not been seen as such, and the commitment to make extra efforts to have it implemented when difficulties arose has not been there. The parties have not developed the Project document into a mutually binding contract - a joint venture agreement - nor changed the articles of association of Norema (or created a new company), which establishes their joint responsibility. The arrangement has remained very loose - almost irresponsible - which has not served the parties well.

Reno Norge's inexperience in operating outside Scandinavia is one of the root causes for this. Less blame falls on Norema, which in Norway had been an SME with limited exposure to wider markets and which in Uganda has not been strong enough to break through the maze of business environmental problems which the company had to face. And here Reno Norge has not been helpful enough as the company has not been prepared to use its potential strength to convince KCC that they have to meet their obligations to organise payments for services rendered. Unless changed the present non-communication between the partners makes the situation even worse. But in a sense it confirms the non-sustainability of the garbage collection project concept.

Nortura, a meat processing project/programme The start of the Nortura project was participation by Nortura (then Gilde Norsk Kjøtt)³⁰ in an NHO delegation to Uganda and a follow-up visit by a delegation from one Ugandan meat producer to Nortura to assess the possibilities to deliver abattoir equipment from an existing

³⁰ Nortura is the brand name used by the Norwegian meat producers' cooperative movement with 28 000 members/farmers. Nortura is the single largest actor on the Norwegian meat market with abattoirs, meat processing plants and sales facilities for meat produced in Norway but also for imported meat.

Norwegian abattoir. Joint venture possibilities were also discussed during this initial visit. From this rather un-ambitious starting point a five year Programme (now officially named Uganda Meat Export Development or UMED) with four different distinct projects or components has been developed with Nortura up to now very much in the driver's seat. UMED has been costed at USD 51,7 million and will encompass the whole value chain from cattle fenced in into disease control zones (which other disease-prone cattle will not be allowed to access), via cattle holding grounds and slaughter-houses, to exports of meat to regional and international markets.³¹ Today meat from Uganda is prohibited from accessing world markets as the meat processors do not comply with international and regional sanitary and animal health requirements.

On the Ugandan side the Ministry of Agriculture, Animal Industries and Fisheries (MAAIF) has been brought into the programme. And so has the Norwegian Ministry of Agriculture and Food (MAF) as a source of technical expertise.

Norad has provided funds corresponding to NOK 20 million to a 12 - 18 months interim preparatory phase of UMED³². The World Bank is supposed to take over and become the principal financier of three components (components 1 - 3, see Annex 3). However, the Bank has not yet started its appraisal work as no request for financing has as yet been submitted by the Ugandan Ministry of Finance.

Programme development is coordinated by a Programme Committee, chaired by an Adviser to H E the President and with MAAIF, MAF and Nortura as members. The Committee is trying to cope with an extremely large number of issues of coordination and to encourage various stakeholders to keep up the momentum and not to create delays. Perhaps the most demanding problem, which the Committee has faced so far, relates to the establishment of a Sanitary and Phytosanitary System (SPS). Three Ministries could claim the mandate to set up facilities and organisation for SPS - in addition to MAAIF also the Ministries for Trade and for Health. So far this issue is unresolved despite year-long discussions inside or out of the Programme Committee. Nor has any specialised agency been established that will set up laboratories and systems necessary to meet requirements of export markets.³³

It is evident that this is a complex and challenging programme with potentially very high benefits in that it will develop healthier livestock, create numerous employment opportunities, support higher productivity (in terms of herd take-off and slaughter weight) and open up new markets for non-traditional export products.³⁴ But the list of potential problems could be made very long:

- the weakness of a MAAIF as the responsible Ministry is a source of major concern (the Danida-led large agriculture programme, in which EU, Sida and the World Bank participate, have opted to execute their broad-based agriculture programme in the form of traditional project support rather than as a sector programme due to MAAIF's low implementation capacity and excessive bureaucracy).

31 And ultimately to Norway which maintains a 400% tariff on imported meat and animal products (WTO 2007)

32 Norad: Developing an Export-oriented Meat Industry in Uganda, 13 Feb 2009

33 There is a link here to the UNIDO project, see below.

34 So far only Botswana and Namibia in SSA have access to export markets for red meat.

- a new producers' cooperative movement is being created. The legacy of cooperatives in Africa is very negative.
- land tenure is a highly sensitive political issue in Uganda like elsewhere in Africa.
- UMED will moreover by necessity become a politically sensitive programme as borders (fences) have to be drawn between those cattle farmers, who obtain the benefit of using a DCZ and the SPS system, and those who are not granted such rights.
- the most important source of finance - the World Bank Group - has not yet got involved in the programme. The involvement of the Bank will most likely strengthen the programme but the Bank has a slow, often interventionist approach to project development, which may create problems for the Norwegian early start project developers.
- the abattoirs and the meat processing plant are proposed to be established as a joint venture between the Uganda Meat Producers Cooperative and Nortura (with Nortura in a minority equity position only) and third party investors (Norfund has been mentioned). This may become a complex company structure with in-built conflicts of interest.

The interim phase, already started with Norad support, could be beneficial in that it kick-starts the Programme implementation (which is the main purpose of the support). But it could also create problems, some of which are already noticeable now:

- Norwegian aid authorities take donor responsibility for support to a sector and to a weak sector ministry (MAAIF), which the Embassy and Norad has no history of collaboration with.
- the support allows the private sector to organise quickly. 44 primary cooperative societies have already been established with by-laws, boards etc as well as an apex (central) organisation, all of which expect that their membership fees would pay off soon by raising their income opportunities. This development is in stark contrast with MAAIF's slow programme start due to low capacity, relatively low status within the Ugandan government hierarchy and other institutional and bureaucratic problems.
- in the highly likely event that the World Bank's involvement may delay the programme start, demands will arise for further Norwegian "interim" support.
- the Embassy will most likely require higher capacity to handle various issues, which this large and complex project would entail. UMED is a PPP project and by so being it is developed on a concept, which is highly favoured by the Norwegian authorities. However, PPPs in a politically sensitive area will stimulate a lot of attention, including by media, which will engender high demands on the Embassy.

Pride Architects, a residential housing project For five years Pride Architects (PA), a Norwegian architectural firm, has tried to team up with a Ugandan property owner for a joint project involving the construction of affordable residential houses for Ugandan buyers with a steady and reasonably good salary. These should be financially capable to service a mortgage loan from a commercial bank for a house or flat developed at a large area close to the shores of Lake Victoria and to Entebbe town. The area, called Kakungulu, will according to the plans become a self-

contained satellite city, based on the development of Information and Communication Technology (ICT) service industries. The relatively low construction costs are based on prefabricated house elements in a pilot phase. The first 200 housing units will initially be imported from China (and possibly also from Europe and Singapore). Later, the production of housing components would be made in Kenya (where a similar housing scheme is planned by PA) or in Uganda. The house construction and components' assembly will be made by a large German firm, which is said to have substantial experience in prefabricated house construction.

The project is in a pilot stage. It has obtained support from Norad of 980,000 NOK, covering 30 % of the costs, while the remainder is financed by Pride Architects, indicating the firm's commitment to the project concept and to Uganda, where PA has already been involved in the construction of a shrine and administration buildings.

The relevance of the project may be questioned from an aid point of view as one of the overarching Norwegian aid objectives is to assure income for under-privileged groups. The target group is not a poor segment of the society but a relatively low-salaried income group and residential housing is not a given priority in Norwegian aid policies at large, nor in relation to Uganda. It should however be noted that affordable housing and mortgage finance receive increasing international attention and that (the aid-funded World bank sister organisation) IFC is providing advice to the government, commercial banks and other stakeholders, as the housing sector "is vital for the growth of the country's financial market". IFC "is committed to improving housing finance in Uganda ...for more people to own their houses"³⁵.

Mester Grønn, an aborted aquaculture project Mester Grønn is a chain of 86 flower shops all over Norway. Mester Grønn has also been a major importer of cut flowers since 1999. Since 2006 much of the company's imports of roses have been produced under Fair Trade conditions, e.g. in Tanzania.³⁶ Mester Grønn has however no experience of aquaculture. Despite this fact, the company applied for and received a Norad (ABS) grant for a prefeasibility study on industrial fish farming in Uganda using modern cage technology. The company had retained a consultant with extensive experience in fish farming as CEO of a salmon farm in Maine, United States. The outcome of the study trip (in which NHO participated as "door opener") was generally positive. The report included, however, words of warning that the technology gap between existing artisan fisheries and a modern fish farm industry was substantial, and that there existed in Uganda (as elsewhere) an unrealistic expectation that this gap could be closed easily.

On the basis of this prefeasibility study, an application was submitted in 2007 to Norad for a full feasibility study costing NOK 5 million with the consultant/project leader to spend 68 weeks on the study, of which 40 in Uganda. The study cost was subsequently reduced to NOK 3 million. In reviewing the application Norad consulted the Embassy, which confirmed the high priority for Uganda of the project but

³⁵ Quotes from Lars Thunell, IFC Executive President and CEO (IFC press release of November 2007)

³⁶ web page: <http://siu.no/magazine/layout/set/print/content/view/full/15604>

Mester Grønn does not buy flowers from Jambo Roses, Uganda because that company produces sweet roses with small crowns, which in Norway are sold in supermarkets not in specialist shops.

pointed out that issues related to the legal and regulatory framework for fish farming had to be addressed. Subsequently, Norad decided to finance half the study costs (in line with its policies).

However, no feasibility study was made as the project leader (and incumbent CEO of the operating company) had second thoughts about the viability of the project and had lost interest and commitment to it. He has subsequently resigned from Mester Grønn.

5.4 Key findings at project level

The importance of the **Green Resources afforestation** project in Uganda is high. However, the role of Norwegian PSD support to this development is marginal at best. Land use problems seem to be the only threat against the sustainability of the project. Other developmental effects are obvious³⁷.

Bugoye mini hydropower project will contribute to the alleviation of the most binding constraint - lack of energy - in Uganda. It is additional in being the first private hydropower investment in Uganda (and one of the first in sub-Saharan Africa). Its sustainability potential is high. The only "problem" with Bugoye is its cost-effectiveness in that the project has required a heavy grant subsidy.

The **Norema waste management** project is additional - but for the wrong reasons. It has been set up against all odds - and it has not succeeded. Its replicability is therefore nil and its chance of sustainability is, as already noted, extremely limited.

The additionality of the **Nortura/UMED meat processing** programme is high and so is its relevance for Uganda. Its relevance from a Norwegian aid perspective is however doubtful as Norway has no experience in aid to agriculture in Uganda. However, from a broader societal Norwegian point of view the programme is relevant as Norway (and Nortura) is increasingly becoming a net importer of red meat. Potentially, UMED encompasses prospects to meet that demand from a source under Norwegian (partial) management and control.

The sustainability of the Norwegian **interim support to UMED** is low. As indicated above the support will most likely lead to further demands for interim support until eventually the World Bank Group will provide funding.

The additionality and potential relevance of the project concept which underlies the **aquaculture** project is high and so is its relevance as overfishing in Lake Victoria might be mitigated by fish farming. Existing processing plants have a capacity higher than the supply of fish. However, two aborted attempts have been made by Norwegian companies and NHO, so the question arises whether Norwegian industry has got the supply capacity for new fish farming ventures, given demands from other markets. However, a recent study by NFDS suggests that such capacity exists and that Uganda could be one focus country for the development of aquaculture in Africa.³⁸

³⁷ It should be noted that the project has only sought and received limited Norwegian aid support. The investments are funded commercially.

³⁸ NFDS (Nordfjeldske Development Services) with Econ Pöry; Identification of Potential Aquaculture and Fish Processing Investment Projects and Partners in Selected Countries in Africa - April 2009

The **residential housing** project is definitely additional as the Norwegian firm proposes a new cost saving concept. But the relevance of the project concept might be questioned from a poverty point of view.

5.5 Summary assessment of the NHO Facilitation Programme

As indicated by NCG the role of NHO has differed substantially in projects, which have gone to the stage where partners have been identified and feasibility studies been made. Of the six projects evaluated NHO had only a “limited” facilitation role in the preparation of the two investments made in forestry and hydropower. In both cases the project identification had already been made when NHO got involved. These two projects are not Norwegian-Ugandan joint ventures but are companies, which are wholly owned by Norwegian shareholders or by European shareholders mobilised by the Norwegian partner. Those investments would most likely have been made without NHO as a facilitator. The Norwegian companies have done most, if not all, of the preliminary project work themselves.

In the case of the waste management project the role of NHO was “medium” according to NCG. As set out above the whole project idea and business concept is dubious, the results have been negative and the joint venture company has run into serious problems. NHO has in this project been active in identifying the Norwegian partner and has fostered the relations between the partners up to and including the investment phase. The question to be asked is if this was a useful role. Would not a role of devil’s advocate have been more appropriate using know-how of Ugandan business environment, characterized by low payment morale and difficulties to get paid for services which will be considered as public goods? In other words, would it not have been appropriate if NHO also had some kind of project screening function to be combined with that of facilitation? In our view it would be useful if NHO were also given such a role, or would have assumed it on its own volition. Had NHO had such a role, warning bells would have been also ringing in another project where NHO had a “medium” role, the aquaculture project. The bell would signal that it is not advisable to foster a project in which a Norwegian firm enters into a new line of business, where the firm has no previous experience and where its staying power might be limited, if things start to go wrong. “Fortunately” this project was aborted by the Norwegian partner before the detailed investment phase.

In the remaining two projects NHO has played a “significant” role. The UMED meat processing project is as indicated a challenging one. The business concept is clear and the project has been given high priority by the Norwegian company. The company actually did go to Africa with the concept and first held talks in Madagascar. There it found that the government response was not positive enough while in Uganda the response was much better. This project will most likely be appraised by the World Bank (or if the Bank for one reason or other does not get involved, by the African Development Bank). In a case like this a screening role of NHO would be less appropriate or needed.

As noted the residential housing project is doubtful from a relevance point of view. Should a possible screening role of NHO also include assessing factors relating to how well a project matches Norwegian aid policy and criteria and its poverty orien-

tation? It may be convincingly argued that this function lies outside the functions of a facilitation organisation. It is rather the responsibility of an aid organisation. It should be noted that no doubts were expressed or objections raised by Norad when the application for a feasibility study for the residential housing project was assessed.

In the NCG report, the general conclusion is that NHO has performed well. The above discussion seems to point in another direction indicating that NHO could and should have done more. Our point is here that NHO *could* have done more in order to avoid investments in projects where the likelihood is high that they will become flawed. But whether NHO *should* have done more is a question for Norad, and not NHO, to answer. This has to do with the unclear mandate which NHO has been given. NCG touches upon this issue when it cautions that facilitation should not go to the extreme of becoming marketing. The other extreme might be screening projects from a developmental point of view, which should not be the role of an organisation owned by Norwegian industry.

The need to make the function and mandate of NHO as distinct as possible is also important seen from the perspective of the relations between Uganda and Norway. The message has to be clear to Ugandan stakeholders, whether public or private, that NHO does not represent the Norwegian government and cannot commit or disburse public funds. And it should be made clear that facilitation is done by NHO entirely from a business point of view.

Investment promotion is generally difficult to run on a sustainable basis. To do this in respect of Norwegian investment in Uganda would be impossible. As regards cost effectiveness we share the positive assessment by NCG. The NHO facilitation cost about MNOK 0.9 per annum and most costs have been direct, i.e. related to work on different projects.

The flexibility of the approach of the NHO facilitation is commendable. As Uganda is an LDC country, where a number of inefficiencies exist and the enabling environment is underdeveloped and has got inconsistencies, there is little scope for a more rigid matchmaking programme along the lines of Sri Lanka and South Africa. The facilitation requires a close collaboration with the Embassy as well as with Norad and Norfund.

6. Norad's Loan Scheme

6.1 The Programme

Norad introduced its loan scheme in the early 1980s. These loans were given on soft terms with interest rates below the market and with a grant element of at least 25 %. The loans were given in Norwegian Kronor over a 5 - 10 year repayment period with 1 - 2 years of grace. Norad required security for the loans. At the end of 2000, the soft loan programme was terminated and Norad handed over the administration of outstanding loans to Norfund.

6.2 Programme objectives

The objectives were the same as for e.g. ABS, i.e. to contribute to the overarching objective of Norwegian development assistance, elimination of poverty. The support was expected to result in economic development, employment and income generation through productive use of local resources and mobilisation of Norwegian-related business for investments in the partner country.

6.3 The Ugandan project portfolio

Norfund took over three loans to Ugandan borrowers from Norad:

- a loan for NOK 10.5 million to Clovergem, a fish processing company
- a loan for NOK 2.24 million to Africargo, a road transport company
- loans for NOK 3.2 million to Jambo Roses, a company cultivating and exporting roses.

The first two projects had been aborted soon after the establishment in the 1990s. Jambo Roses is still in operation and is the oldest existing Norwegian joint venture in Uganda.

Clovergem - a project aborted by its initial stakeholders. The business idea of Clovergem was to buy Nile perch from fishermen at Lake Victoria, process the fish into fillets at a factory in Entebbe and sell frozen fillets to markets in Europe and Asia, particularly Japan. The "local" partner was a Ugandan subsidiary of an international conglomerate established in Basel. This company would own 80 % of the equity. The Norwegian partner in the joint venture, owning the remaining 20 %, was a relatively large construction company, which had some experience in the fish industry in West Africa. In addition to Norad's soft loan of NOK 10.5 million covering half the total loan requirements, IFC and Exim Bank joined as lenders on commercial terms (later EADB also joined the group of lenders). The security, a charge on all Clovergem's assets, was shared by the lenders *pari passu*. In addition to the soft loan there were grants from Norad totalling NOK 0,8 mill., covering training, basic

infrastructure and consultancy services. The total Norad aid (loan grant and additional grants) to the Clovergem project thus amounted to NOK 3.5 - 4 million

The key developmental benefits expected from the project were direct employment of 150 Ugandans and indirect employment of some 1,500 fishermen and 150 others, and substantial foreign exchange earnings as all fish would be exported. The expected economic rate of return stood at 50 %. Norad's appraisal report also mentioned that "that the common understanding is that there is no danger that the stock of Nile perch will be depleted too greatly in the foreseeable future" (a prediction that has proved false). Norad furthermore noted that contaminated spill water may become an environmental hazard, which Norad would monitor closely.

The estimated financial rate of return for this 5.5 USD million project was 39 %, the return on equity 74 %. But the company never took off despite this very attractive profitability and the fact that there were experienced partners behind the project. The thorough appraisal by IFC did not help either. There was a long delay before the plant was commissioned, causing the company to request loan rescheduling. This was however not granted by the lenders, including Norad. Various subsequent reports indicated that production never reached anywhere near full capacity after start-up. Management problems were an important reason as the main owner tried to influence the company on a day-to-day basis from Basel. And so was access to fish as several processing plants were competing for supplies from dwindling fish catches. The real crisis came when EU banned fish imports from Uganda due to sanitary problems in the processing industry. Positive signals were now and then given by the management suggesting that the ban would be removed and that the company could be re-launched as "modifications in the plant have been made to comply with EU standards."³⁹

News was coming in that the fish resources of Lake Victoria were becoming seriously depleted. The NGO NorWatch had been a whistleblower and made the general public in Norway aware through the media of the seriousness of the problem. However, Norad did not at this stage reappraise the project and question it from a developmental point of view. Norad rather took the opposite role and became the toughest among the lenders, requesting the company to be placed into receivership and for the receivers to find new owners. IFC and EADB wanted to wait, based on their experience that receivers would initiate a process of asset stripping rather than treat the company as a going concern which, once the EU market would be open for Ugandan exports, could recover some of the financial losses. However, when Exim Bank came in behind Norad, receivership became the preferred solution.

The receivers negotiated for a considerable time with a company, which would lease the plant. This deal fell through and delayed selling the company. The sale was agreed in 2001 but the new owner did not take charge of the plant until 2003. The sales price was set at USD 2,7 million (as compared to an original project cost budget of USD 5.5 million). Rehabilitation was done by the new owner to meet the quality requirements of the export markets and refurbish the company for items lost

39 Letter from the Managing Director dated 8 November 1999

during three years in mothball. Part of the rehabilitation had to be paid for by the receivers. The net result of the transaction was that Norfund (which in 2001 had taken over the soft loans from Norad) received NOK 6.3 million from the receivers. To the cost of the aid budget was therefore added the loss of loan principal and interest income foregone, or a total (including the original cost) of some NOK 10 - 11 million.⁴⁰

The buyer did not manage to make the company profitable. After two years, it was sold to a Kenyan company, Fourways, which also owns processing plants in Tanzania. This company still operates the former Clovergem plant at Entebbe under the name Gomba which together with a GenoMar AS established six pilot fish ponds for aquaculture before the attempts were aborted by GenoMar.⁴¹

Africargo - another aborted project. This company was a joint venture agreed upon in 1995 between a Norwegian company involved in repairs and exports of machinery and vehicles, and a Ugandan company in the transport business. The investment was for 1.1 USD million, 40 % equity from the partners and 60 % loans, half of which came from Norad, the other half organised by the Ugandan partner company. The partners' investment was mainly in kind. The Norwegian partner would export three trucks and three trailers, all reconditioned, while the Ugandan partner would provide four used trucks and five buses. The management for the first three years should be provided by the Norwegian partner. However, the Norwegian manager, not having had any prior experience of Africa, soon found out that running a transport business in Uganda was much too complicated and returned home, abandoning the company with staff and equipment. The Ugandan partner had at that time not realised that the Norad loan would mainly be used for paying transport and customs duty on imported vehicles and that very little money was left for purchase of new vehicles and working capital. Some of the moving stock later crossed the borders to Southern Sudan and to DRC and was not returned.⁴²

The expected benefits from Africargo, in addition to revenues to the owners, were the creation of employment starting with 25 employees in year one and reaching 110 in year five. As the vehicles were intended to operate between Mombasa and Kampala, they would facilitate exports from and imports to Uganda. However, soon after the operations started the project was aborted. Norad's loan was securitised through mortgages on the vehicles. Norad took up in court its rights to reclaim the vehicles and won the court case in 2001. However, Norfund then having taken over the loan, considered it would be too cumbersome to take hold of the vehicles and estimated that the costs thereof would be higher than the value of the vehicles. Norfund therefore considered the loan lost and wrote it off.

Jambo Roses. Jambo Roses started in 1995 as a joint venture company between Akers Gartner and other Norwegian partners and a few Ugandans, including the majority shareholder and CEO, a Ugandan who lives in Gothenburg. The marketing

40 As the outstanding loans had been taken over by Norfund for one krona the loss had already been taken earlier. For Norfund the proceeds from the receivers actually created a "profit"

41 NFDS: Aquaculture and Fish Processing Investment Projects and Partners in Selected Countries in Africa - April 2009 The evaluators made efforts to meet with the management of Fourways but did not get a response from them

42 Interview 25 November, 2009, with a representative of the Ugandan partner company, now a Member of Parliament representing a constituency in Northern Uganda

of roses in Norway would be carried out by Buketten that initially took 85 % of the production. However, Buketten was sold in 1999 and the buyer had no interest in importing flowers from Uganda. The direct trade link with Norway thus disappeared. Jambo had since then exported its production via the Amsterdam auction market. The former owner of Buketten has however kept his interest in the company and is now board chairman. The Akers' owner has also stayed on the board. So links with Norway remain.

Floriculture had been a successful industry in Kenya for some time, when Uganda in the early 1990s took an interest in the sector as a means of creating exports of non-traditional agricultural products. Jambo Roses was one of the first Ugandan firms that tried to exploit the new opportunities. It is now the only company remaining out of the first generation flower producers. However, a second generation has emerged and the sector now includes 20 companies in Uganda (many of them owned or controlled by Dutch stakeholders), some of which have diversified into chrysanthemum. A freight system has been established through a jointly owned cold storage facility at Entebbe airport.

Prospects for Ugandan flower exports were favourable up to mid-2000s, as Uganda profited from low labour costs. The exports increased both in terms of value and volume. But the market turned against Uganda thereafter. Kenyan and Ethiopian exporters could transport flowers at lower freight rates and were not hampered to the same extent by rising energy costs and energy load sharing. Weather conditions also affected the industry negatively and storms caused havoc in greenhouses in 2006. Seven producers in Uganda were hit, among them Jambo Roses; two of them had to close down. The Uganda Flower Exporters Association (UFEA) countered the downturn by product branding and encouraging diversification, including sales via contracts and not through auctions. UFEA also requested subsidies from government.

Jambo Roses has never had good profitability but has muddled through year after year. The cash flow has constantly been problematic and the company has had problems to service its loans from Norad (and also loans from EADB, refinanced by Nordic Development Fund). The Norad loans have been rescheduled. The original loans should have been repaid already in 2001 but the final instalment has now been set for 2010.

The area under cultivation by Jambo has been expanded over time. The direct employment has increased to 280, of which two thirds are women. Around the plantations small businesses have started, and Jambo has therefore created substantial indirect employment. A primary school has been established by Jambo and so have health facilities. HIV/AIDS incidence at the factory has been limited. Workers at the company have created a labour union. The wage level has been kept low but workers are provided with breakfast and lunch, changing room facilities, protection gear and access to a new clinic. Health and safety is taken care of and handling of chemicals (previously criticised by a Norwegian NGO) is now up to standard. Staff has been trained to use protective equipment.

The future for Jambo Roses may lie in its products being certified by Fair Trade through organic production and elimination of chemicals and pesticides, and in diversification into vegetables and fruits. Leasing of land at higher elevation for production of superior quality (and highly priced) flowers is another prospect. But this requires additional investments. The possibility for Jambo to raise new funds is bleak due to low profitability and cash flow problems.

Jambo Roses received a soft Norad loan of NOK 2.4 million in 1995 and an additional loan of NOK 0.8 million in 1999. The loans were rescheduled by Norfund in 2002 and again in 2007. The loan conditions became tougher as a consequence and included increased rate of interest and that 2/3 of the total number of outstanding shares should be pledged as security. Norfund turned down requests for additional loans.

Norad provided support to the feasibility study in 1995 under the ABS scheme. Further grants for training, for infrastructure (feeder roads and water supplies) and for consultancies (including for MPS - Eurep GAP certification)⁴³ were approved between 1996 and 2004 under the same scheme. The total Norad grants amount to NOK 2 million, making Norad funding (including the loans) sum up at NOK 5.2 million. The cost to the aid budget (grant plus grant elements of loans) is estimated at NOK 3.6 million.

Jambo Roses is a unique project in that it is the only industrial Ugandan-Norwegian joint venture project, which has a long record of operations and is still in production. Conditions have been difficult but the company has muddled through. The return on equity (for the shareholders) has been almost nil. The economic rate of return, difficult to estimate as it may be, might however have been positive, as the investment has had fair societal effects for Uganda (export revenues, direct and indirect employment effects, community development etc). Environmental issues have by and large been handled responsibly. The most dramatic event in Jambo Roses' history must have been the ownership shift of Buketten. Thereby the marketing channel into Norway disappeared and Jambo became one out of several flower producers in Uganda, which were totally exposed to the world market represented by the flower auctions in Amsterdam.

Jambo Roses would not have survived without Norad assistance. A substantial portion thereof has covered recurrent costs rather than investment in new equipment, technology or markets. Jambo Roses would presumably not have been set up, if Norfund at the time would have been the only source in Norway of loan funds and if the (relatively) easy access to Norad grant funds would not have been available.

Jambo has had to compete with several other rose growers. The question may be raised whether the high level of aid subsidies has distorted the market and given Jambo undue competitive advantages. A sign thereof may be that Jambo is the only remaining first generation rose producer. Another is that when the storm affected

43 MPS - Eurep GAP are international flower certification systems

the industry in 2006, two of Jambo Roses' competitors had to close down, while Jambo received Norad grant support for the replacement of greenhouses with wooden structures with steel structures, and stayed afloat. However, other rose exporters had access to cheap funds from the Netherlands. The level thereof is unknown, but it is unlikely that it was anywhere near the one Jambo has benefited from.

It is a notable fact that this Norwegian joint venture company that has faced all types of problems, is not used by NHO and the Norwegian Embassy as an illustration of problems that may arise and how to address them. The company is located reasonably close to Kampala and Entebbe and should have been within easy and convenient distance for industrial delegations to visit and for companies planning to invest in Uganda. But this opportunity has not been used.

6.4 Summary assessment of the Norad's soft loan programme

All the three loan-funded projects were set up before the 1998 White Paper report was presented. Jambo Roses was however described in the report as an interesting example of Norwegian-Ugandan partnership. The other two loan projects were already flawed at that time from which the report did not draw any conclusion.

The additionality of Jambo's **rose production** was fair at the time of it being established. The project concept was based on importation to Norway of flowers produced during off-season in Norway. That this concept could not be maintained was due to factors external to the project. Jambo Roses has since that time muddled through with high and regular injections of grant funds by Norad. It is questionable if the project would have survived without those grants and so is its sustainability. The acid test lies ahead, when the project and the company will have to meet new challenges without access to Norad funds.

7. Application-based Support

There is hardly any Application-based Support project in Uganda, which is not linked to ongoing efforts by Norwegian industry to invest in Uganda or to investments already made. Therefore a list of ABS-supported projects tends to be identical with a combined list of NHO-facilitated projects and of Norad's soft loan schemes. The list below confirms this. It includes in addition, however, one investment project that has been developed outside the NHO ambit and three trade-related projects.

Table 6: Application-based Support projects in Uganda

	ABS provided (thousand NOK)	Period	Comment
NHO	4250 ⁴⁴	2006 - 2010	
NHO projects			
1. Nortura	2700+300+300	2006 - 2007	Se above
2. Green Resources	120	1999	
3. Bugoye hydro	-		
4. Residential housing	980	2009	
5. Waste management	202	2007	
6. Tilapia			Not evaluated
7. Aquaculture	1,500		
8. Dairy	135	2008	Not evaluated
Soft loan projects			
1. Clovergem	775	1999	
2. Africargo	No ABS support?		
3. Jambo Roses	2,011	1995-2004	
Other ABS projects			
1. Global Entrepreneurs ⁴⁵			See footnote below
2. Enjoy Africa	267+250	2005 and 2006	See below
3. Asker&Bærum TV	350	2004	See below
4. Unophone	408+205	2002 and 2005	See below

⁴⁴ half framework amount taken as Uganda

⁴⁵ The Evaluation team was advised not to study the Global Entrepreneurs project as this project was under investigation by the Unit handling suspected corruption cases.

The ABS support to the NHO facilitated projects and to the Norad loan projects are discussed above. There is no possibility of separating the impact of the ABS *per se*, as the support is integrated with other forms of support.

Enjoy Africa (a Norwegian company) invited three Ugandan tour operators in 2005 to participate in a Norwegian Tourism Fair. A follow-up visit was approved the following year on the basis that Enjoy Africa had organised tourist trips to Uganda valued at NOK 550,000. But after the second fair visit the operations of Enjoy Africa were closed down as the business idea was not considered viable. There has been no follow-up by any other tour operator.

Asker&Bærum a regional TV station received ABS support for producing a video film showing what Uganda can offer tourists. The video film was sent to various Norwegian TV channels and was seen by some 500,000 viewers. However, the result in terms of Norwegian tourist visits of these two promotion efforts has been meagre. Arrivals from Norway remained at 0.4 % of total tourist arrivals in both 2006 and 2008 according to the Uganda Tourist Board data base. No earlier data are available.

Unophone, a Norwegian company, had as a business idea to sell reconditioned mobile telephones through a local subsidiary to be set up as community telephones in rural villages. Women farmers were particularly targeted. However, the market had already been covered by existing mobile operators in Uganda. The company had problems with corruption. The original flawed business idea was revised into exporting used telephones to Uganda. So far 5,000 telephones have been delivered but the new business idea has not worked either. It is unclear whether the local Ugandan subsidiary, which had 30 employees, is still in operation.

In **summary**, we conclude that all of the assessed “independent” ABS projects must be considered failures in the sense of not leading to sustained business development.

8. Embassy Business-related Support

8.1 The overall Embassy PSD support

The Embassy PSD support to Uganda in the 2000s has included three major projects:

- A programme executed by UNIDO 2000 - 2007 (extended to 2008) for the Ministry of Tourism, Trade and Industry (MTTI).
- A programme executed by the Ministry of Finance and Economic Planning 2000 -2003 (Phase 1) and 2004 - 2007 (Phase 2). As the most important components of this programme relate to policy development for microfinance it is covered in the below section on microfinance.
- Ongoing support to Enterprise Uganda, a Ugandan government organisation providing entrepreneurship and management training, as well as mentoring and counselling services to Ugandan entrepreneurs (in its latest phase with a focus on women entrepreneurs). This programme is not evaluated in this Uganda case country report.

8.2 The UNIDO Programme - objectives and scope

The overall objectives of the Uganda Integrated Programme (UIP), implemented by UNIDO, have been:

- Strengthening the capacity of micro and small scale entrepreneurs focusing on rural areas and on women entrepreneurs
- Strengthening the capacity of the agro-processing support framework and develop the human resources required
- Promoting business partnership and market networking between local and foreign entrepreneurs.⁴⁶

Norway has funded the following programme components:

- Strengthening the Food Supply Chain (UIP Phase I and II)
- Assistance to Textile and Garment Micro and Small scale Enterprises, MSEs (UIP I and II)
- Strengthening the Uganda National Bureau of Standards, (separate component in UIP I)
- Master Craftsman Programme with focus on Agro-MSEs (UIP II)
- Enhancing Cleaner Production in Enterprises with emphasis on Agro-processing industries (UIP II)

⁴⁶ As UNIDO could not mobilise finance for the activities underlying this third objective, it was subsequently dropped.

Other components have been financed by Austria, (UIP I and II), Japan (UIP I and II), Denmark (UIP I only) and Italy (UIP I and II). UNIDO has provided own resources to both UIP I and II. The total cost for the programme is USD 14.6 million, of which Norway has provided USD 5.0 million or 34.2 %. The dominance of Norway has been particularly pronounced in UIP II, where the Norwegian share was 45.3 %.

The programme has been evaluated by UNIDO's Evaluation Group in 2004 (UIP I) and 2008 (UIP II).⁴⁷ The evaluations have according to the reports been conducted in compliance with the UNIDO Evaluation Policy. The evaluation teams have consisted of two staff members of UNIDO (the UNIDO Evaluation Director has been the team leader) and two consultants. However, the second evaluation has not yet been approved by the Norwegian Embassy as an End of Project Review as a number of supporting documents have not been submitted to the Embassy by UNIDO, MTTI and other project owners. The Embassy therefore considers the Evaluation as a draft document, which might require refinement, a view contested by UNIDO.⁴⁸

There has also been a Mid-term Review of UIP II carried out by Nordic Consulting Group in 2006.⁴⁹ Their report includes a number of observations on outputs at the component and sub-component levels, but few broader comments at the programme level. Of NCG's comments worth recording are:

- that there is a general non-performance of MTTI in relation to several components
- that the procedures related to the support is cumbersome and often bureaucratic
- that sustainability is weak or non-existent after UNIDO support terminates (particularly as regards the textile and the cleaner production components)
- that there is a no clear donor (i.e. Norwegian) exit strategy.

The UNIDO independent evaluation 2008 The following text draws on information in the 2008 evaluation report on UIP II and includes the observations of the Devfin team. The UNIDO report is long and includes 76 pages plus five annexes. The summary below is therefore highly condensed.

UIP II is considered highly relevant and efforts to align projects and components to existing government policies have been successful according to UNIDO. The programme addresses key constraints relating to poverty alleviation, competitiveness and promotion of exports. Government ownership is at a high level. UNIDO's role has been important and the majority of projects have been effectively and efficiently implemented - despite a rather weak UNIDO field representation. Most programme objectives and sub-objectives are being achieved. UIP II "can be considered to have been *doing the right things at the right time*.⁵⁰" The evaluation report further indicates that "many partners in Uganda expressed the need for a more prominent UNIDO presence, for the purpose of alignment, coordination and above all, for contributing in a more comprehensive manner to the industrial devel-

47 UNIDO Evaluation documents: Integrated Programme in Uganda of 27 February 2004

48 Sources: Minutes from a Tripartite Meeting (UNIDO; Embassy and MTTI/Industry organisation) on 6 May, 2009, which have not yet been signed by the parties. Mail exchange UNIDO - Embassy - Devfin consultant ending 10 November, 2009

49 NCG: Mid-term Review of UGA-2855, the Norwegian Assistance to Four Components, 29 November 2006

50 Italics in the UNIDO Evaluation report Independent Evaluation UGANDA - UNIDO Integrated Programme - Phase II, 16 March 2009

opment process”. The report also includes observations of more critical nature, a few of them listed in the below table (which also gives Devfin’s comments)

Table 7: Observations by the UNIDO evaluation of UIP II and our comments thereon

UNIDO evaluation report	Devfin’s comments
More emphasis should be given to the implication of the advice provided on market developments.	The lack of recognition of the importance of the market is a very strong critique.
More attention should be given to developing capacities of partner organisations.	The first two objectives of UIP had to do with capacity development. A strong critique
Impacts should be monitored based on baselines in respect of employment generation at meso and macro levels.	The evaluation report includes hardly any effort to quantify outputs and outcomes of UIP. An exception is the fish sub-sector where data exist.
HIV/AIDS and CSR should be mainstreamed.	This is emphasized in the Norwegian aid policy.
It is important for effectiveness and efficiency to have a UNIDO representative in Kampala.	This has been a major issue for the Embassy during the whole UIP II period.
Sometimes generic UNIDO approaches were used without adaptation to Ugandan conditions.	This is a general critique of UNIDO programmes not only in Uganda but also elsewhere.
Support to subsidized public or semi-public business service providers is not always conducive to PSD and may compete with private sector actors.	This is major critique against the UNIDO approach and reduces the sustainability of the support considerably.
Piloted small scale agro-processing centres do not systematically lead to replication and dissemination of new technologies.	The evaluation includes no proposals on alternative strategies.
<i>On food production:</i> UIP II leads to an increase in the availability of safe food and contributes through its work on food standards and to the marketability of agro-industry products.	The preparation for the Nortura/UMED meat processing programme indicates that much more has to be done in order to institutionalize an SPS system which makes meat products from Uganda exportable.
<i>On textiles and garments:</i> A realistic business plan for TEXDA is required. Ownership of the private sector is weak.	The sustainability problem of TEXDA was already raised in the NCG Review.
<i>On Master Craftsmen:</i> A sustainability and institutionalization strategy should be developed and a cost-recovering apprenticeship system should be introduced.	The Devfin evaluation received a positive impression of the efforts being made and results achieved and in particular the efforts to empower women.
<i>On cleaner production:</i> The Uganda Cleaner Production Centre has been strengthened and is providing valuable service to enterprises.	However no system has been introduced whereby enterprises pay for the services. The sustainability is therefore questionable.

The last four observations refer to components funded by the Norwegian Embassy.

The Embassy has over time increasingly been dissatisfied with the lack of communication by UNIDO as regards the progress of UIP II. The same communications problems did not arise during UIP I as the Programme Steering Committee then operated reasonably well and UNIDO had a senior representative stationed in Kampala. UNIDO's efforts recently to run UIP II from headquarters in Vienna have not benefited the programme according to the Embassy.

8.3 Summary assessment of the UNIDO programme

There is a clear impression that the evaluation by UNIDO has stressed the positive results of the UIP in its general conclusions. An underlying rationale for this may be that UNIDO is developing a new phase of the programme. An overly negative evaluation would of course seriously reduce UNIDO's possibilities to raise donor funds to it. The communication problems between the Embassy and UNIDO are not referred to in the report.

The additionality of the UNIDO programme is high as UNIDO is the only international organisation, which provides most of the services in the form of technical know-how and broad-based experience required for a comprehensive PSD programme like this. However, the sustainability is generally low as there has been little attention to integrating the sub-projects into the Ugandan government system and to introducing fees.

A detailed assessment is given in Annex 4.1

9. Support to the Microfinance Sector

9.1 The microfinance sector in Uganda

Microfinance in Uganda has grown extremely rapidly from the mid 1990s. It was early on mostly supported for charitable purposes by NGOs, often church-based. The stakeholders (practitioner organisations, donor agencies and government bodies) soon realised the sector's potential for spearheading pro-poor growth and started to collaborate intensively under a common vision. The widening microfinance community made good use of training, technical assistance and international resources. A cadre of national microfinance specialists in intensive interaction with an increasing body of international microfinance experts made the sector move ahead. Commercial principles were soon introduced in Uganda inspired by successes elsewhere, which had shown the possibilities to combine sustainable institutions with broad-based empowerment, particularly of women.

By 2003 there were more than 1500 microfinance institutions (MFIs) in Uganda organised mainly as NGOs, Savings and Credit Cooperative Societies (SACCOS) and community-based organisations serving over 900,000 savers. It was increasingly realised that the development of the sector required regulations and that the government should reduce its role to becoming a policy maker, which lets the private sector and the civil society carry out the operations. The donor community also started to withdraw realising the sector's potential for growth based on commercial principles.

In 2003 legislation was introduced after a broad process of consultations with the MFIs. The Act caused a transformation of the sector. A new category of MFI was created, named MDI or microfinance deposit-taking institution (also referred to as tier 3 institutions). The MDIs would be supervised by the Bank of Uganda along with (tier 1) commercial banks, but would not be permitted to offer all kinds of banking products. To get an MDI licence and thus accept deposits microfinance providers had to re-establish themselves as limited liability companies and become privately owned. Those institutions which saw advantages of becoming MDIs had thus to move from an NGO (or similar) status to a company status. Four NGOs took that step early on (and no other NGO have since taken it). Norway has been heavily involved in two of the four early MDIs: Pride Uganda and Uganda Microfinance Ltd (UML).

The sector has since then more than doubled in terms of number of MFIs and has increased five-fold in terms of clients. At the top of the MFI pyramid, UML has, after a sale, become a fully fledged commercial bank, Equity Bank Uganda. Policy

makers and Bank of Uganda now see the need to also regulate and supervise the pyramid's bottom (the SACCOS, the community based organisations and other tier 4 organisations) and are preparing legislation to that effect.

Donors used to fund the MFIs through aid grants. But now virtually all donors have disappeared from the sector and have been replaced by commercial banks and a few apex organisations. The banks do not lend to micro enterprises directly but provide loans to the MFIs for their on-lending as group loans to solidarity groups or as individual loans to very small entrepreneurs, traders or farmers. There are three apex (wholesale finance) organisations, which channel external funds into the MFI sector in Uganda. One of them, and presumably the largest, is Strømme Microfinance East Africa, established and owned by Strømme Foundation.

But despite the outreach of the MFI movement, large communities in rural Uganda lack banking facilities. The government has therefore launched an ambitious rural outreach programme under the banner of "Prosperity for All", which through SACCOS will provide subsidized loans to the poorest of the poor.

9.2 Norwegian support to Ugandan microfinance

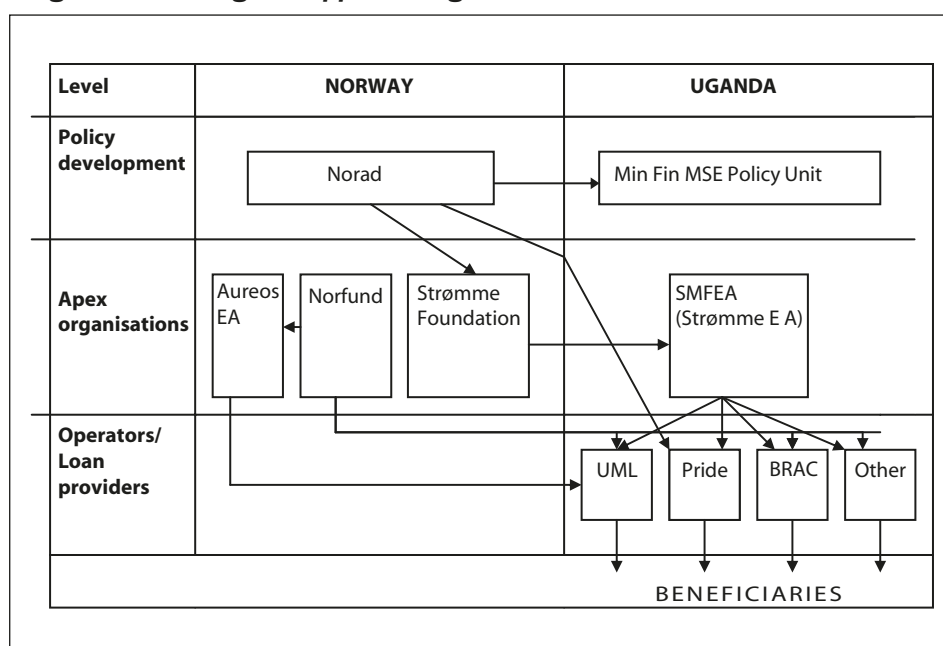
Norway has via its different organisations - the Embassy in Kampala, Norad, Norfund and Strømme Foundation - actively participated in the development of the microfinance sector in Uganda. Norway has thus:

- supported the Ministry Finance in its formulation and consultations on the current microfinance policy in Uganda (Embassy level support).
- assisted through Norad grants the establishment of the first major microfinance operator in the country, Pride Uganda.
- created an effective financing mechanism for microfinance through the Strømme Foundation in Kristiansand and its subsidiary Strømme Microfinance Eastern Africa (SMFEA) in Kampala, funded mainly by resources mobilised from the Norwegian civil society.
- taken substantial equity positions in Uganda Microfinance Ltd in 2004 directly through Norfund and indirectly through Aureos East Africa, and has thus been instrumental in the transformation of UML from an NGO to an MDI
- exited UML in 2008 and through the exit enabled UML to become a Uganda's first commercial bank operating on microfinance principles
- assisted the world's single largest microfinance provider, BRAC Bangladesh, to establish a subsidiary in Uganda through a loan from Norfund.
- reached out through the various microfinance operators to a large number of poor beneficiaries.

Schematically the Norwegian support to Ugandan microfinance - the Norwegian microfinance cluster - is set out in the below diagram.⁵¹

51 A possible newcomer to the cluster will be the Norwegian Microfinance Initiative (NMI)

Diagram 1: Norwegian support to Ugandan microfinance



The various mechanisms through which Norway supports and adds value to the Ugandan microfinance sector are analysed in the next sections, starting with policy development and moving from there to apex funding and then to funding of the establishment and operations of MDIs and other MFIs. This cluster has presumably never been shown in this way as Norwegian aid in general and to microfinance in particular is so fragmented and no organisation (except possibly Strømme) has had the full picture. To quote a few examples: When an inventory was made of Norwegian support to microfinance by NCG in a study 2006⁵², the Norfund support to UML was not mentioned. Nor was Norfund's investment mentioned in NCG's End of Project Review on Pride Uganda in 2007. And Norfund did not recognize Norad and Pride Uganda in its decision memo on UML in 2004. The link to the important Ministry of Finance Policy Unit seems also to be unknown to Norwegian stakeholders.

9.3 Support to the Ministry of Finance Micro and Small Enterprises Policy Unit (Embassy)

The project The Norwegian Embassy has supported two phases (2000 - 2003 and 2004 - 2007) of this policy development project and thereby boosted the capacity of the Ministry of Finance to develop strategies and policies aimed at the small enterprise and the microfinance sectors. The project has been implemented by Ugandan staff with a limited input by international consultants. Equipment for the unit has been included in the project budget and so has funds for data collection, workshops, study visits etc. An End of project report was produced by the Ministry in September 2007, which has been approved by the Embassy.

52 NCG: Inventory of Microfinance Activities Supported by Norway, April 2006., which lists 14 NGOs/agencies

Project objectives The objectives were set to (i) contribute to economic development of Uganda through better policies and coordination systems for the development of Micro and Small Enterprises (MSEs); (ii) strengthen the capacity of the Ministry of Finance, MSE Policy Unit, in dealing with formulation of favourable policies, and legal and regulatory framework for MSEs, and (iii) to assist the Unit take the lead for effective coordination of MSE sector initiatives.

Key findings Norway came in with this support to the Unit when the Ugandan government realised that the regulatory system of microfinance had to be improved and a new Act of Parliament be drafted. Previous donors (the Dutch and the British) had withdrawn.

The Unit has grown staff-wise during the time which the Embassy has provided financial support and participated in an active dialogue. It has become a full-fledged department of the Ministry of Finance with two divisions and a staff establishment of 19 staff members. The establishment remains after the timely and useful Norwegian support has been terminated, which confirms the sustainability of the project.

A detailed assessment is provided in Annex 4.2.

9.4 Support to Strømme Microfinance East Africa (Norad/Strømme Foundation) ⁵³

Strømme Foundation (SF) started in East Africa as a charitable organisation in the late 1980s operating from Kristiansand. In 1994 **Strømme** obtained registration as an NGO in Uganda. At that time it was increasingly realised that charitable micro-lending was not a route to follow and financial sustainability increasingly became the buzz word. Financial mediation was a way to achieve that objective. In 1998 a company limited by guarantee was established which replaced the NGO, offering at the beginning interest-free loans, but from 2001 loans carrying a low interest were introduced. In 2002, the Chairman of the board declared that SF had arrived at “a turning point in the history of SF and microfinance. The experimentation period is over and we can start systematic implementation of our strategy.”⁵⁴ From that time the charitable period was definitely over. Soon thereafter (in 2004) the company agreed to become a new legal entity, linked to the introduction of new government regulations, in that **Strømme** Microfinance East Africa Ltd (SMFEA) was constituted with an operational area covering Uganda, Kenya and Tanzania (which later has been expanded to include Rwanda and Southern Sudan). Gradually the organisation decentralised and developed an efficient and competent organisation at its East African headquarters in Kampala.

SF finances the operations of SMFEA by funds raised by own mobilisation (collections, media campaigns etc) and through grants from the Norad civil society budget line. The total funding 2000 - 2009 has been USD 14.2 million and the split between funding sources 56/44, i.e. most of the resources are mobilised through contributions by Norwegian individuals. SIDI,⁵⁵ a French development agency, has

⁵³ Only microfinance activities by Strømme are covered here. Its other strand, education, is not dealt with

⁵⁴ Quote from Johannes Sannesmoen's forthcoming book about the history of SF

⁵⁵ Société d'Investissement dans le Développement International

joined Strømme as a minority partner in its East African operations and so has the Swedish NGO Läkarmissionen.

SMFEA uses the funds obtained from SF mainly for lending to MFIs. As these loans revolve they become sources of new loans, and enhance SMFEA's capital base. Its balance sheet thus totalled USD 9 million by the end 2008. SMFEA had a loan portfolio 2008 of USD 6,1 million for the whole region, of which the major part (USD 3,4 million) was in favour of Ugandan MFIs. The Ugandan borrowers included Pride Uganda, an MDI, which had outstanding loans of USD 1.5 million, while the MFI BRAC Africa/Uganda had USD 0.43 million. 18 other smaller MFIs had received loans amounting from USD 20,000 to 0.6 million.

SMFEA also manages a Community-Managed Microfinance Scheme, intended for self-help groups where only members' savings are used for lending. SMFEA may provide capacity building grants for the empowerment of such self help groups in poor areas. Capacity building grants can also be given for business development services within MFIs.

A key ratio when judging microfinance organisations is the Operational Self Sufficiency (OSS) ratio.⁵⁶ For SMFEA the OSS stood at 110 % in 2008. The return on equity was 1.2 %. But SMFEA has still some way to go until financial sustainability is achieved. According to its five year business plan 2009 – 2013, this will happen year 2013.

According to its annual report for 2008, SMFEA served 490,000 poor people through its facilitation.⁵⁷ No break-down is however given per country or per MFI partner. This indicates a weakness of Strømme as a development organisation. SMFEA's MFI clients have been considered to be their partners to be monitored. Impact at the ultimate beneficiary level has been considered of lower interest. But the introduction of a performance management tool tracking development outcomes and impact is, a requirement under the current Framework Agreement between SF and Norad. SF now plans to introduce a tracking system in all its regional and country operations.

SMFEA has within its overall vision "to contribute to a situation where people live free of poverty", defined the following strategic objectives in its business plan for 2009 - 2013:

- Enhance the capacity of its MFI partners to deliver quality financial services and increase outreach
- Strengthen its capacity to serve partners in the region
- Improve its operational and financial sustainability.
- The operational targets for 2013 are to enhance the capacity of MFI partners to provide quality financial services to 700 000 enterprising poor
- Strengthen the capacity of 60 partners and 3 networks

⁵⁶ Income from lending operations less cost of borrowing and operational expenditure including provisions for loans at risk. The OSS should be higher than 100 % according to microfinance best practises.

⁵⁷ Another document from SMFEA gives the (exact) beneficiary figure of 242,938 by the end of 2009. This just confirms that the figures are unreliable as no client tracking system has been introduced.

- Enhance financial capacity and entrepreneurship of 90 000 marginalised poor through the grant-funded scheme.

Key Findings SF has managed to develop its East African operations into an apex organisation (SMFEA), which is recognised by its clients (the MFIs) and its competitors (e.g. the commercial banks) as a professional, well governed organisation.

The loan terms of SMFEA are commercial and the company has reached self sufficiency in its operations and is en route to becoming financially sustainable. There seems to be a reasonably good balance between its more commercially oriented loan funding, its grant support to self help groups and to capacity building. SMFEA will require further grant funding to continue its multiple role and its policy of cross subsidization.

In terms of monitoring the results of the operations an improvement is needed. For a detailed assessment see Annex 4.3.

9.5 Support to Pride Uganda (Norad)

Pride Uganda was initially a branch of Pride Africa, an American NGO based in Nairobi, and with operations also in Zambia, Guinea and Malawi. Norway focused its support on Pride Uganda, while other donors provided support to other Pride outlets. The Ugandan operations soon became a company limited by guarantee, which paid R&D fees to the Pan-African Pride movement. Pride Uganda was in 2004 transformed into a shareholding company, for a short time “owned” by the board but renationalised by the Government of Uganda as a transitional arrangement pending a proper privatisation process. The ownership issues have since haunted Pride.

In a comprehensive “End Review of Norwegian Support to Pride Uganda”⁵⁸ the Norwegian support to Pride Uganda is analysed in four phases:

- The Outreach Phase 1996 - 1998, where the initial objective was to establish Pride in Uganda as a national network of branch offices within five years. This was achieved earlier than expected. Pride had already then grown into the largest MFI in Uganda with 6,000 borrowers. However, the operational self sufficiency ratio was only about 30 %. Norway supported Pride by NOK 9,3 million during this phase
- The Operational Sustainability Phase 1998 - 2000. The objective now became to transform the existing Pride institution into a sustainable for-profit entity, i.e. to a MFI no longer relying on subsidies. Operational Self Sustainability (OSS) increased to 75 % in mid-1999, a substantial improvement. The Norwegian support amounted to NOK 25,2 million during this period.
- The Financial Sustainability Phase 2001 - 2004. An OSS of more than 100 % was reached by the end of 2001, far ahead of the agreed business plan target. Pride was that year re-established as a company limited by guarantee provided by the Ugandan government as part of the complex and contentious break-up of Pride Africa. Pride Uganda also started with a transformation process with the

⁵⁸ Report dated May 2007 by E. Sigvaldsen, A. Odara and Chr. Fougner

objective to become an MDI in accordance within the regulatory regime in transformation. The final grant to Pride provided by Norway was NOK 26 million, making the overall total NOK 60,5 million

- The Transformation Phase 2004 - ? The MDI Act required applicants to be privately-owned. No shareholder should have an equity stake higher than 30 %. The then board of the Pride government-guaranteed company tried to make themselves the principal owners of the company. This was vetoed by the Norwegian Ambassador in a pointed letter to the Ministry of Finance arguing that the Norwegian grants had been given to the Uganda government and only the government could be the rightful owner of Pride. So the shares went back to the government to be handled by its Privatisation Unit. This has been challenged in court by the original Pride Africa creator and by the board, both parties arguing that they have added value to Pride which they should be compensated for. The issue still remains in the court system of Uganda and does not seem to have moved. The Bank of Uganda has for the time being accepted the status quo, i.e. that Pride Uganda operates as an MDI despite the fact that it does not fully comply with the MDI Act but operates as a publicly-owned company.

The growth of Pride Uganda, its financial results and poverty outreach is illustrated below:

Table 8: Pride of Uganda: growth, profitability and outreach

	1999	2002	2004	2007
Total no of loan accounts	19137	38003	56135	56297
No of branches	28 (2000)	28	28	
Average loan size (DUS)	126	135	200	367
Operating self-sustainability (%)	70,9	131,8	103,6	
Return on Equity (%)	-	6,3	5,3	24,7
Average loan/GDP capita	0,8 (2000)	0,6	0,9	1,2 (2006)

Sources: End Review and MicroRate International 2008

Since 2004 Pride Uganda has received its funds from the banking market and from Strømme. Over time liquidity has been adequate and so has its profitability. The growth of Pride Uganda has however been hampered by the ownership and transformation problems and the lack of a board of directors that have the necessary microfinance experience. The market share of Pride has shrunk. The staff turnover has been high as its status as a publicly owned company has restricted the possibility to set salary levels at competitive rates. Competitors have poached staff from Pride, to which Pride has been unable to respond. Pride also has to comply with government procurement rules, which have caused bureaucratic delays and have hindered the company in purchasing an MIS system, compatible with that of other MDIs.

Key findings The End Review summarizes its findings of Pride by stating that “it is considered as one of the leading MFIs in the country and has a strong image. The

project has attained the goal of establishing a financially viable microfinance institution, with a good outreach". We share this assessment.

We also agree with the assessment made by MicroRate, a microfinance rating institute, which says that Pride "has a very good asset quality and increasing efficiency". MicroRate also notes that the governance of Pride is weak and so is Pride's MIS, and that the attrition of experienced staff creates problems.

The initial additionality of Pride was high. However, as the End Review notes Pride has not in the last few years been an innovator in the market but has kept the same group loan products while the market has moved towards individual loans.

The cost-effectiveness of the Norad support has been low, which a comparison with UML confirms⁵⁹. The long term Norad support might also have caused market distortion. On other criteria the Norwegian support during the period up to 2004 was of high quality. However, the Norwegian authorities could and should have done more thereafter to help the Ugandan authorities to find solutions to the ownership and governance issues⁶⁰. Dealing with legal matters related to private company ownership and management structure lies outside Norad's and the Embassy's normal area of competence and should have been left to specialists to handle. Such corporative competence exists within Norfund, which meets similar problems on a regular basis and has easy access to corporate and legal expertise. Norfund would have been in a better position to assist the Government of Uganda to handle the conflicts and to reach a solution leading to privatisation of Pride Uganda.⁶¹

Annex 4.4 gives a detailed assessment of the support to Pride.

9.6 Support to Uganda Microfinance Ltd (Norfund and Aureos)

Uganda Microfinance Union (UMU) was launched in 1997 as a locally managed NGO with initial support from USAID and the Bank of Uganda. In 2004/05 UMU was transformed from an NGO to a limited liability company and was granted a microfinance provider licensed under the MDI Act. Aureos East Africa actively participated in this process. Aureos found ways to solve problems cropping up in the negotiations between the founders and managers of UMU and a US shareholder group, headed by the internationally well recognised microfinance promoter Accion International. By a creative structure consisting of a combination of common shares, preferred shares and convertible loans the stumbling blocks were overcome.⁶²

The UMU founders were in terms of the proposed structure allowed a significant stake (40 %) of the common equity and to keep their management control. Aureos took 30 % equity and offered the remainder to the Accion group and to Norfund.

⁵⁹ Pride "costed" Norwegian aid MNOK 60,5 while UML resulted in a profit for Norfund/Aureos. See section 9.6 below.

⁶⁰ The Sigvaldsen/Obara/Fougner End review (page 40) summarizes the bad impact that Pride's fluid ownership and governance structure has had as follows: "Weak and inappropriate governance can breed problems during the MFI moments of change. The current confusion with Pride Uganda suing PML (the company limited by shares) and government continuing to hold 100 % of the MDI, its ownership might have been prevented if right from the onset, better governance principles were introduced." The report also includes the following Lessons learnt (page 6 - 7): In a case like Pride the "Embassy should allocate proper time and resources to execute its "ownership" responsibilities or alternatively, work in partnership with another donor with higher analytical capacity" and that "Norway should recognize the important governance role a donor like itself can play in projects like this, ..."

⁶¹ Norfund might however have had to decline an assignment in 2004 and the following period as the fund was then shareholder (but not board member!) of UML (see below)

⁶² The whole background to the equity transaction is described in "Transforming Microfinance Institutions", a book written by J. Ledgerwood and V. White and published by the World Bank

Accion rejected the offer, which meant that Norfund got into the position to match Aureos' contribution. Norfund and Aureos thus invested USD 960,000 each in convertible loans, which were soon exchanged for ordinary and preference shares. Norfund's investment was managed by Aureos against a fee. Aureos also took a seat on the UML board on behalf of both institutions.

Already at entry point the possibilities of exit were considered. A concrete opportunity came soon after when Equity Bank, a bank that had started as an MFI in Kenya, indicated its interest to acquire the whole of UML. A deal was struck based on UML equity owners obtaining shares in Equity Bank in lieu of UML shares. These shares could then be sold with a potentially high upside at the Nairobi stock exchange⁶³. The attraction for the Kenyan bank was that UML could be licensed as a commercial bank in Uganda. This was also done and now the new bank operates under the brand name Equity Bank Uganda.

UML as a microfinance provider UML has had a variety of loan products ranging from loans provided on solidarity principles to individual loans. Various niche products have been added to the product range. Women have been a strong category of borrowers with a particularly high loan service rate. More than half of UML's clients were women.

The growth of UML is set out hereunder⁶⁴:

Table 9: UML growth, outreach and profitability

	1999	2002	2004	2005	2007
Total no of loan accounts	1762	21207	36864	31145	29604
No of branches and agencies	2	11	15	20	n.a.
Average loan balances (USD)		170	294	514	810
Net profit (USD million)		26% (ROE)		0,65	1,65

The development of the average loan size is a reflection of the fact that the UML was moving up the ladder from being an NGO (tier 4), to an MDI (tier 3) and later to a fully licensed commercial bank (tier 1). But the loan average is still very much lower than that of commercial banks. These banks have rather seen UML as a client, thereby refraining from direct contact with the micro borrowers. The list of lenders to UML has included the big British-owned banks (Stanbic, Barclays and Standard Chartered) but also smaller local banks (e.g. Development Finance Company of Uganda (DFCU). Strømme Microfinance East Africa has been a regular lender to UML.

Key findings Financially the four year participation in UML by Norfund and Aureos has been a great success and has led to a cash multiple of up to 5 times the original investment and an annualised financial rate of return of 50 % or more.

⁶³ In April 2009, 37 % of the shares held by Norfund had been sold at a price, which secured a cash multiple of 2,47, meaning that one third of the shares had already secured the profitability for Norfund of the UML transaction by 2,5 times. The share price has since gone down (it is currently only 1/3 of the peak value) but a sale today would at least double profitability.

⁶⁴ Source op. cit, Norfund, Post Exit Analysis dated 15 April, 2009

Aureos played an important catalytic role in assisting the other shareholders in UML to realise the profit potentials of the deal - and prior to that to find a satisfactory structure at entry point.

The management of UML has with limited donor support managed to build a strong and resilient institution. UML was at the time of the sales to Equity Bank, Kenya the largest MDI in Uganda in terms of portfolio size and amount of voluntary savings.⁶⁵ UML has managed to keep a high portfolio quality and has rightly prided itself on its entrepreneurial spirit, flexibility and increasing professionalism.

In terms of development impact UML's record is as good as any of the other MDIs, Pride Uganda included. And as compared to Norad's support to Pride, the cost-efficiency of the Aureos/Norfund participation in UML has been much better. For a detailed assessment of the support to UML see Annex 4.5.

9.7 Support to BRAC Africa (Norfund)

Bangladesh Rural Advancement Committee (BRAC) is a Bangladeshi non-profit organisation and the largest and arguably the most competent MFI in the world. Africa has recently become strategically important and BRAC has ambitious plans to increase its presence on the continent over the next ten years.

A loan fund with a total expected financing of USD 74 million has been set up by BRAC, of which half would be on lent in Uganda, while the other half would be used in Tanzania and Southern Sudan. Institutions invited to join BRAC Africa include IFC, the Overseas Private Development Corporation (OPIC) of the US, Citi Microfinance, Triodos, and Bill and Melinda Gates Foundation. Norfund was one of the first institutions to commit funds to BRAC Africa and has already lent USD 5 million (at an interest of 8 %). BRAC is also a client of Strømme East Africa, which provided a loan of USD 400,000 in 2008.

BRAC began its operations in Uganda in 2006 and has quickly become one of the largest NGO microfinance providers. The expansion has been extraordinarily fast and BRAC already serves close to half a million people in Uganda. In line with its philosophy the main loan product is group lending (average group 25 persons). The principal clients are women (76%), particularly those business women segments which are not targeted by other MFIs due to their poverty, lack of education etc. BRAC has a staff of some 1000 Ugandans, of which 85% are women.

The approach of BRAC is comprehensive and it extends a range of services far beyond microcredit, but which are supportive to this core service in one way or another. It includes a large number of community-based activities like distribution of seeds and fertilisers (the agriculture programme), vaccination of poultry and insemination of cattle (the livestock programme), organising health meetings and training of community health volunteers (the health programme) and setting up schools (the education programme).

⁶⁵ MicroRate International 2008

Key data on BRAC's microfinance operations in Uganda are set out below:

Table 10: BRAC Africa's growth, outreach and profitability

	2007	2008	2009 (Oct)
Total no of loan accounts	37543	93440	96345
No of branches	34	54	89
Average loan size (D US)	121	175	(207)
Return on equity (%)			24 % (expected for 2009)

BRAC Africa is an NGO at the level of tier 4 in terms of the MDI Act. It is therefore not permitted to accept deposits, which hampers its growth potential. In order to register as an MDI BRAC will however have to separate its Ugandan operations more distinctly from those of the other two countries in which it operates.

BRAC has a research department with very good capacity to produce Monitoring and Evaluation data. The system monitors the implementation of BRAC's strategic plan and operational activities and is designed as a continuous process of data collection, analysis and judgment with the objective to produce relevant, timely and accurate information. Baseline studies are done and performance is measured regularly.

Key findings BRAC Africa has given new energy and new perspectives to the microfinance sector by bringing in experiences from the mother country of microfinance, Bangladesh. BRAC has the ambition to look after most of the needs of its poor clientele and is therefore envisages itself as something more than an ordinary MFI.

Of its 85 branches, 34 are already self sustaining. This is a remarkable achievement given the short space of time that BRAC has operated in Uganda. The outreach which BRAC has achieved in only little more than two years, indicates that there were niches in the market which had not yet been explored and developed, or which other established for-profit MFIs have tended to abandon. While the other MFIs seek slightly less poor clients who can service bigger loan, BRAC fills the small loan vacuum which emerges as a consequence.

Norfund was one of the first lenders to BRAC Africa. By its early decision Norfund will mobilise other lenders. Norfund's loan was therefore highly additional.

10. Norfund and its Affiliates⁶⁶

10.1 Norfund objectives

Norfund's mandate is to "establish viable, profitable business activities which would not otherwise be initiated because high risk" and "to work in accordance with the basic principles of Norwegian development policy and with high standards of business ethics and social responsibility."⁶⁷ Norfund possesses investment, country and sector expertise. The fund acts as a long term investor, investing in equity in individual companies (directly or through fund management companies) or extending loans to companies. Geographically, Africa (and in particular Eastern and Southern Africa) and LDCs take priority. Uganda is a perfect match in terms of these criteria.

The four investment areas of Norfund are:

- banking and microfinance;
- funds which strengthen SMEs
- renewable energy
- other direct investments, where development effects are particularly large.

10.2 Norfund in Uganda

Norfund's portfolio in Uganda consists of two direct investments (one of which provides renewable energy) and a number of financial institutions and funds. The below list includes only those investments and funds, which are located in or have a strong focus on Uganda. The list does not include soft loans taken over by Norfund from Norad in 2001. (For a list of all Uganda-related Norfund projects, see table 4).

Table 11 Norfund's investments in Uganda

Project	Co-investor	Investment year/area	Amount (MNOK)	Instrument
*Uganda Microfinance Ltd	Aureos E A	2004 - Microfinance	13,0	Convertible loan/equity
*BRAC Africa	BRAC, Bangladesh et al	2008 Microfinance	34,8	Loan
DFCU	CDC and others.	2005- Banking	33,9	Equity and subordinated loan
*DFCU Abacus	Norad	2007 Fund for SMEs	18,5	Subsidised lending

⁶⁶ It should be noted that some Norfund projects are assessed in the chapters on Microfinance and NHO above

⁶⁷ Norfund Creates value Combats poverty - Report on operations 2008

Project	Co-investor	Investment year/area	Amount (MNOK)	Instrument
*Bugoye Hydropower	Trønder Energi	2008 Renewable energy	48,3	Equity and loan
Scanwater		2009 Direct investment	2,5	LDC/MUL loan

(*) is shown in respect of funds/projects analysed by Devfin.

Norfund has furthermore provided loans to Green Resources. These loans are however not Uganda-related but to the company's investment in a saw mill and a large plantation programme in Tanzania.

Below follows, in addition to our evaluation of Norfund's participation in DFCU/Abacus, an assessment of investments made by Aureos East Africa.

10.3 DFCU/Abacus

It is a challenge to develop a financial mechanism, which will reach out to the "Missing Middle", i.e. to borrowers, who have needs which are too large for microfinance providers but too small for commercial banks. The challenge has three dimensions, one relating to how loan securities are viewed, the others to how project due diligence is done and how loans are administered. An MFI gets its basic security from group or peer pressure on its borrowers, and a slow build-up of confidence in them by starting with savings, which will partly finance the first micro-loan. When this loan has been serviced a borrower is entitled to a slightly bigger loan etc until the borrower reaches the per client lending limit of the MFI. For the large, well-established MFIs in Uganda that upper limit may be as high as USD 6,000-7,000 (while the average loan size may be USD 500). The borrowing group controls that all individual members meet their obligations. From that point of view the lending is self-administered.

Commercial banks have a completely different philosophy. For them the security offered by the borrower is key. They have the same standardised appraisal and administration process for large and for small loans, which means that the overhead cost on the small loan becomes exorbitant. In Uganda the banks seldom offer term loans for project finance of less than USD 100,000. A normal SME corporate term loan size is USD 150,000 – 200,000 (loans for trade purposes are often smaller). In case they draw on foreign currency sources of funds the prudent banking practise is to lend in the same currency, resulting in that the clients have to bear the exchange risk. The gap between the maximum MFI shilling loan and the commercial banks' foreign exchange loan is often covered by money lenders, who have a flexible approach and may therefore offer a loan product suitable for the SME client's needs. But such loan providers move on the fringes of the financial system and are unregulated. They operate on the black or grey credit markets, which in the final analysis may create considerable problems for their clients.

Abacus is a pilot scheme designed by Norfund in collaboration with Norad. An underlying assumption of the Abacus scheme has been to address the Missing

middle problem by providing loans, which are larger than those which the MFIs can offer, but are smaller than those of commercial banks.

The programme Norfund, a minority shareholder in DFCU⁶⁸ Bank, has provided the Bank with a five year loan of USD 3 million, which together with an equal amount from DFCU's own resources, will create a pool of funds which should be applied for SME loans from DFCU. Norad supports the scheme with a grant of 6.8 MNOK, which may be used for the following three purposes:

- Subsidy of administrative costs for “small” loans (in the agreements defined as loans between USD 2,500 and 300,000 - indeed a wide range!), requiring the same administration as large loans. 5 % of the value of small loans will be paid for by Norad to a special account up to a maximum of MNOK 1.1 to compensate for that. This sum would mean that 2/3rd of the Abacus loan portfolio could (and should) be made up of small loans.
- Technical assistance to meet DFCU clients' need for training related to the establishment, development and management of SMEs. A sum of MNOK 1.7 is set aside for this purpose. The TA funds should be used for training of DFCU customers in areas such as business start-up, business development and management. It is not specified whether the training should be provided by DFCU or by outside organisations or consultants.
- To cover the foreign exchange risk as lending from the pool will be in Uganda shillings, while the borrowing from Norfund is denominated in US Dollar. 4 MNOK have been allocated for exchange risk coverage.

Abacus has been developed “to target the segment of clients that have little access to finance today, i.e. the small and medium sized firms that are either too large for microfinance or too small for traditional corporate banking”. This segment would have a significant impact on an LDC economy such as that of Uganda.⁶⁹ The purpose of reaching the missing middle is not detailed further in the decision documents in quantitative terms, e.g. number of loans, average size of loans, number of borrowers to be served, women entrepreneurs to be targeted etc. The problems of high costs for appraising small projects and administering small loans are however highlighted and so is SMEs' inability to shoulder currency risks.

The mechanics of the Abacus scheme are set out in a Co-financing agreement signed by DFCU Bank and Norfund in March 2007. A separate Agreement between Norfund and Norad establishes that Norfund shall have the administrative responsibility for the scheme and that Norfund should provide half yearly monitoring reports and annual reviews to Norad. Like the decisions documents the Co-financing agreement is silent on the issue of purpose and does not set out targets. There is no mention in this agreement of the TA facility, which has led to a situation where DFCU appears not to be aware of its existence.

68 DFCU is an abbreviation of Development Finance Bank of Uganda. DFCU was set up already in 1964 by CDC. In 2008 DFCU merged with a licensed commercial bank. The “new” bank is the largest locally-owned bank in Uganda and operates under the name of DFCU Bank. Norfund owns through an equity investment of USD 2.7 million 10% of DFCU and lends USD 3 million to the institution in the form of subordinated debt. As per year end 2009 DFCU had a loan portfolio of USD 158 million, a large portion of which is directed to SMEs. DFCU reports that of its over 12.800 borrowers 5.700 are actually classified as SMEs. Of these borrowers over 4.700 were women

69 Norfund's Final Approval memo 2005

Key findings Norfund has up till December 2009 paid USD 1.0 million to the pool and DFCU had paid a similar amount. More than USD 1.8 million of the pooled funds have been applied to 12 sub-projects, giving an average of USD 153,000 per project. Only five projects can be described as small according to the definition adopted by Norad and Norfund. However, the smallest loan is for USD 40,000, i. e. a far higher loan size than the really small loans envisaged when the lower limit of USD 2,500 was conceived.

If the scheme would have had an average loan size of say USD 5000 (which even that would be a very high figure compared with the average loan size in 1995 - 2009 of the SEDP missing middle loan scheme in Bangladesh, supported by Norad⁷⁰) it would have reached up to 1200 clients and have had an impact on the market giving DFCU a profile as an SME bank. If the Bangladeshi target of at least 25 % of the clients be women, 400 women entrepreneurs would have had access to finance. If the present average of USD 153,000 would remain, the scheme would only reach 39 clients and will not be noticeable on the market. And it will definitely not reach the target group.

In terms of employment eight out of the twelve projects funded have created 397 employment opportunities (of which one single project has provided 284 jobs).

The Devfin team selected for its field visits randomly two among the 12 funded projects: Owen Falls Luxury Resorts and CK&Co Ltd. The findings as regards these sub-projects were:

- the Owen Falls project was not a luxury resort at all. The company rather provides a temporary conference facility, awkwardly located near the highway, and an unfinished building. The company is owned by a Ugandan living in Canada. The loan is in serious default.
- CK&Co is a major distributor of alcoholic beverages⁷¹, beers⁷² and soft drinks to hotels, bars and shops in Kampala and in a few neighbouring districts. The loan has financed an expansion of the company's office and is being serviced and up to date.

Based on findings at CK&Co visit, the exclusion list (the list of activities which are not eligible for funding from the Abacus scheme) in the Co-financing Agreement was reviewed by the Devfin evaluation. It turned out that the list includes exclusions like gambling, sex tourism, drugs, military equipment (even nuclear weapons are mentioned (!)), but not alcohol nor tobacco. The list ends with a 'rubber clause' saying "sectors which could expose DFCU to adverse reputational risk" are excluded. It should be noted that from a DFCU perspective, lending for distribution of alcohol is not a reputational risk.

The Abacus scheme design is obviously flawed and should be changed if this pilot project concept is to be applied to other recipient countries. It is also questionable how well the project concept has been communicated to DFCU. As matters now

70 See the Bangladesh case study report which gives an average loan figure for SEDP of some 700 US dollars.

71 Johnny Walker, Bond 7 (another whiskey), Smirnoff Vodka, Gilbeys Gin, Waragi (local gin), Richard (cognac), Smirnoff Ice, Baileys

72 East African Breweries' and Uganda Breweries' varieties: Tusker, Bell, Lager, Malt

stand the ownership of the concept underlying Abacus by DFCU is weak, which has led to unforeseen problems in project implementation. The design was meant to influence DFCU's lending policies to seek clients with smaller projects than those which the bank normally takes on. But it has not in practice worked that way. DFCU operates the Abacus scheme in the same way as other external financial resources, which enable the bank to provide term loans to corporate clients. The Abacus funds (and DFCU's own matching funds) are part of refinancing resources, which DFCU picks and chooses from after the project finance decision has been made. There is no particular staff member who devotes himself/herself to the Abacus scheme and is responsible for finding the right projects. The scheme is not advertised in any way.

No drawing on the Technical Assistance Fund has been made. DFCU appears not to be aware of its existence. Part of the reason therefore is that the TA facility is not mentioned in the Norfund-DFCU Co-financing Agreement. But it also confirms the lack of ownership on the part of DFCU.

Norfund should have sent regular reports to Norad which would have enabled both institutions to monitor progress of the pilot scheme and to find out whether it should be extended to other countries.

A detailed assessment of the Abacus support is given in Annex 4.6.

10.4 Aureos East Africa

In order to create a professional fund manager focused on developing countries CDC (the British DFI) and Norfund created in 2001 the fund management company Aureos Capital. Aureos took over management of existing local investment funds in Africa and embarked upon setting up new funds. Aureos East Africa Fund was one of three Africa funds established. Norfund invested USD 8 million in Aureos East Africa Fund out of a total of USD 40 million and was joined by a few other investors.

The Aureos investment strategy as described by Norfund at entry was to invest in privately owned companies in the interval of USD 0,5 - 4,0 million, with an average investment of USD 2 million. The profitability objective of the three Aureos funds was set at an annual rate of return to investors of 15 % of their equity contributions to be achieved not later than the funds closing date in 2013. The funds would be managed at a fee by Aureos Capital, established in London. Norfund was initially a shareholder of Aureos Capital but divested (like CDC) in 2008 in favour of Aureos' staff (their new company is named Aureos Advisers Ltd).

Norfund considered Aureos to be its "prolonged arm". The strategy of Norfund at entry was to support Aureos in its important mission to make sustainable investments by extensive use of local know-how, and to mobilise additional investors to join the funds. Norfund wished to dilute its initial investment down to 25 - 33% of the fund capital. The envisaged developmental results were economic growth and adherence to a satisfactory HSE framework.

The development effects of Aureos investments are not tracked by Aureos at a national or sub-regional level. 30 quantitative and another 30 qualitative indicators are tracked on a global scale. The most current tracking shows that 75 % of Aureos' clients implement good or excellent environmental policies, and that they are committed to energy efficiency. 43 % of their employees are women while 91 % of the companies have a management which actually manage, and not only monitor, social and environmental risks.

Aureos East Africa has via Norfund got access to grant funds for HIV/AIDS prevention and mitigation, aimed at 15 of their client companies in the region. The availability of these funds has been a marketing argument for Aureos.

Aureos is proud of its achievements in Africa. As the CEO of the Aureos Group stated when he recently introduced the new USD 400 million Aureos Africa Fund: "Drawing from our significant experience in Africa, we were confident that the Aureos track record was of great interest to investors who had appetite for investing in Africa, despite the global turmoil."⁷³

10.5 Aureos in Uganda

Aureos East Africa has had as strategy that its investments should be split among the focal countries as follows: Kenya 45 %, Tanzania 20 %, Uganda 15 % and other countries 20 %. The actual investments broadly follow this pattern. Out of the 14 companies to which Aureos E A have disbursed funds, seven are Kenyan, three are Tanzanian, two are Ugandan and the remaining two are regional. Aureos has exited from two companies producing soap and pharmaceuticals, both in Tanzania.

One of the Ugandan companies in which Aureos has put resources is Uganda Microfinance Ltd. Aureos invested USD 3,2 million in 2004 jointly with Norfund and partially and exited from the investment in 2008. As payment, Aureos obtained shares in Equity Bank (Kenya), which are traded on the Nairobi Stock Exchange. As shown above, the transaction was very profitable for Aureos (and for Norfund). Aureos' most important role has been to structure the entry and exit, where Aureos' skills as regards the dynamics of the capital markets in Kenya and Uganda have been crucial. But the reporting to Norfund on the considerations made and steps taken have not always been satisfactory, which Norfund also takes note of in its exit analysis of the UML transaction.

Aureos' second investment in Uganda is Bank of Africa, where Aureos took up 22 % of the share capital by investing USD 1,77 million. Aureos is reported to have taken a decision on a third Ugandan company running a construction business. A regional microfinance provider, Micro Africa, in which both Aureos and Norfund have taken up equity, may also operate in Uganda. So far no concrete investment project in the country has been supported by Micro Africa, however.

Bank of Africa - an Aureos investment in Uganda. Uganda has now 21 commercial banks, licensed by the Bank of Uganda. Bank of Africa is one of the latest

⁷³ Aureos web page

entries on the market and now has a market share of some three per cent. What additionality could a newcomer offer in a market, which is arguably overbanked (by number of banks not by their rural outreach)? The bank tries to position itself as an SME bank, which specifically targets women clients. It has set up mobile banking facilities in rural areas and in addition provided customer training through business clinics. Bank of Africa is basically a francophone institution having had its group headquarters in Mali but is now moving to the Maghreb region through a sale to a Moroccan bank. Bank of Africa offers a French style banking philosophy, which stresses cash flow projections rather than collaterals as basis for project lending. And by that specific strategy Bank of Africa, with 190 employees in Uganda, may provide some degree of additionality

Key findings on Aureos Aureos East Africa has been both profitable and development-oriented. Norfund has through its interaction with Aureos no doubt contributed to the dedication of Aureos to development, including issues related to good governance, Health, Safety and Environment (HSE) and HIV/AIDS. Aureos has also realised that development creates good business. Being present in the region has served Aureos well.

In response to a question, the Aureos East Africa management could only recall that they have interacted once with a Norwegian company beyond courtesy calls and exchange of information. Aureos does not see it as its role to promote Norwegian companies and to provide extra services to them. So the objective of being Norfund's prolonged arm into East Africa has so far not benefited Norwegian industry.

Aureos has been both catalytic and additional in that it has mobilised capital which would not otherwise have been available to East Africa. Aureos East Africa is a closed end fund and will be dissolved in 2013 and its capital be distributed to the owners. So the important sustainability will rest with the projects in which Aureos has invested. As there is now only one investment client with operations in Uganda in the portfolio, it is premature to draw any definite conclusion on the projects' sustainability.

10.6 Assessment of Norfund in Uganda

All four investment areas of Norfund are already represented in Uganda. As regards the area of banking and microfinance the poverty orientation is very clear among the microfinance institutions. The MFIs are, however, not very good at transferring HSE know-how and values to its multitude of clients. BRAC Africa may bring about a change in this respect. The indirect employment effects of MFIs are substantial as they empower clients (and particularly women) to start productive income-generating activities. The additionality of the investments in this area has been high and so has the foreseen sustainability.

Norfund's performance has been distinctly weak as regards funds aimed at strengthening the SME focus area. There is an important caveat here, which may mitigate this harsh assessment, however, as the evaluation only includes the DFCU/Abacus scheme and not the equity investment and the loan transaction which

Norfund has made with DFCU Bank. Nor have we assessed the support to regional funds which might provide SME financing in Uganda.

Our assessment of the DFCU/Abacus scheme is that it has a flawed design, is not “owned” by the DFCU Bank and does not reach its target group. The scheme is not properly monitored and reported on by Norfund. There are problems at the sub-project level, which expose Norfund (and indirectly Norad) to reputational risks.

There are two direct investments of which only one (Bugoye mini hydropower) has been evaluated while the other one (Scanwater) is so new that the commitment has not yet led to disbursements. The Bugoye project is also part of the renewable energy portfolio. The process related to this investment has been handled by Norfund efficiently despite complications (the need to replace SN Power with Trønder Energi, the issues related to mobilise a commercial credit and the collaboration with Norad, the Embassy and ultimately the Ministry of Foreign Affairs in establishing a rationale for the grant subsidy to the project etc). Some doubts are expressed with regard to the cost effectiveness of the project. As regards long term effects it is too early to tell as the power station has only recently become operational.

As shown above there are a number of potential individual company investments in Uganda in the NHO project portfolio. Except for the Bugoye project, none of them is actively appraised by Norfund. NHO has on different occasions voiced criticism against Norfund arguing that:

“not one of the companies we have been in contact with that has met with Norfund, has been positive. The feedback we have received indicates that Norfund has limited interest in East Africa. Norfund tries to avoid direct investments together with Norwegian and Ugandan partners, and refers to investment funds which the fund has bought into. This becomes burdensome, bureaucratic and almost impossible when you operate from Norway. It appears as if Norfund is not prepared to take risks - but rather hands over to its local fund - Aureos”⁷⁴.

It should be emphasised that this statement was made before Norfund got actively involved in the project at Bugoye and in Scanwater. But the comment still has relevance as the number of direct investments globally by Norfund with Norwegian partners is limited. The 2008 annual report does not list any new such investment. In its presentations of direct investment activities, Norfund also states that the fund has no special preference for Norwegian investors. This strategic direction of Norfund differs considerably from that of other Nordic DFIs (Finnfund, Swedfund and IFU of Denmark), all of which have a preference for investments jointly with national companies.

74 NHO: Uganda, Oppfølging av Næringsutvikling i Sør - NIS 2, dated 17 October, 2005 (our translation)

11. FK Norway

11.1 The Programme

FK Norway is one of Norway's three official channels for development assistance since 2001.⁷⁵ FK Norway's main purpose is to stimulate exchange of personnel between Norway and the South and also to stimulate South–South exchange.⁷⁶ While most of such interactions concern NGOs and public organisations, Norwegian enterprises can also participate. The exchange programme is usually for one year involving a minimum of two persons, but an exchange can include several persons. The programme can be repeated for the same organisation(s) up to five times.

11.2 Programme objectives

The overall objective of FK Norway is to contribute to increased contact and collaboration between individuals and institutions in Norway and in Africa, Asia and Latin America and to contribute to development. Another objective of the organisation is to increase the interest and commitment for the South in Norway. Each exchange project has its own specific objective, generally linked to institutional development and capacity building. Such objectives are stated explicitly in the agreements signed with participating organisations.

11.3 The Ugandan portfolio

Three projects were pre-selected randomly for analysis by the Uganda country study team. One of the projects, Veidekke, has not taken off as the Veidekke contract relating to civil works at the Bujagali Hydropower project was discontinued before the exchange. In this study Norplan has replaced Veidekke. The business-related projects studied are therefore Norplan, Green Resources and Strømme.

Norplan Norplan, a Norwegian internationally operating consultancy firm, has had four rounds of exchanges in the FK programme since 2002, out of which three include participants from Norplan (Uganda). Two Ugandan young professionals have thus worked with and been exposed to Norplan in Norway, while three Norwegians have worked at the Norplan (Uganda) offices and their projects. Moreover, one Ugandan engineer has had a one year stay in Dar es Salaam as part of a South–South exchange programme, while an Ethiopian engineer has worked at the Kampala office. The total cost of the programme as far as it relates to Uganda is NOK 1,3 mill. In a self-evaluation by Norplan in 2009 it is said that:

⁷⁵ Fredskorpset Norway has a history dating back to 1960s and was modelled after the US Peace Corps. This organisation ended in the 1990s, but a renewed organisation was established in 2001.

⁷⁶ The division of participants in the various programmes by FK Norway since 2001 is 40% 'North-South', 20% South-South and 40% a Youth programme

- Norplan Norway has managed to involve the participants from the south in relevant project activities. They have received new technical skills of high value when they return to their home offices. Win-win situations have been created.
- at times it has been difficult to deploy the Norwegian professionals in consultancy work but that in such times their time and energy has been spent on marketing activities (drafting proposals and expressions of interest etc).
- the south-south exchanges have been particularly successful both for the participants and the companies involved. Communications between the companies have improved considerably.

Green Resources Green Resources has an ongoing exchange of eight professionals between Tanzania, Mozambique and Uganda. Only one of the exchanges - a south-south exchange with Tanzania - relates to Uganda. The cost for this is approx. MNOK 0,2.

Strømme Microfinance East Africa SMFEA's focus has been on south-south exchanges involving their wide network of regional offices and of clients/microfinance providers. In 2004 for instance, five Ugandan MFIs were involved, one of which was Pride Uganda. In 2009 four MFIs benefited from the programme, one of them having a young professional stationed in Mali for almost a year. It is striking that the cost per participant is very much lower in the case of this extended south-south collaboration than when the north (Norway) sends professionals. The total cost for the SMFEA exchanges amount to MNOK 2,1 million, out of which about half refers to microfinance, while the other half relates to its extensive education programme.

11.4 Summary assessment of FK Norway in Uganda

FK Norway has a streamlined approach to its exchange programme. It has a standardised system for how the exchanges take place. The overall structure is transparent and efficient.

The exchange programmes are carried out efficiently and clearly contribute to institutional capacity building in line with stated objectives. Cross cultural exchanges are stressed which widen the horizon of the participants and facilitate their taking on new knowledge. In the case of Strømme, participants from East Africa have been given opportunities to see for themselves what goes on in the microfinance sector in South Asia. This has added to their confidence that East Africa and Uganda are not far behind South Asia and have systems which are at par with those abroad. They have spread this information to colleagues and thereby created a sense of pride in their achievements.

It is striking that the same Norwegian consultancy firm (Norplan) has had support in four different rounds, while their Norwegian competitors - there are at least five of them which operate on the Ugandan scene in some kind of partnership with Ugandan consultants - have not received any support from FK Norway. Are they not aware of the facility or do they see limited value thereof and therefore do not care to apply for support? The overall value of the support would be higher if more firms availed themselves of the facility. The case of Strømme is different. Hardly any of

the participants come from SMFEA itself. It is rather SMFEA's clients, who benefit from the FK Norway programme. And it is interesting to note that it is not the largest MFIs which are the main beneficiaries but small NGO-type of MFIs.

A detailed assessment of FK Norway in Uganda is given in Annex 4. 7.

III Summary and Conclusions

12. Norwegian Private Sector Development Assistance to Uganda - a Portfolio Overview

Broadly the Norwegian PSD assistance to Uganda can be divided into four segments in which the results differ considerably and where the portfolio has reached maturity to different degrees:

- Microfinance, which includes the whole spectrum of possible involvement from policy development to assistance which addresses the poor segments of the society, and where almost all the channels of the Norwegian aid system have been used. Norway has been involved for some 15 years and has been at the forefront among donors and has a portfolio second to none both in terms of depth and width.
- Direct investments of which three were initiated in the mid 1990s through Norad's soft loan scheme, then there was a period of some 10 years when very little took place until new energy was put into investment promotion and facilitation through the NHO-Norad framework agreement, which has led to a few new investments and a few other investment possibilities. The results so far have been mixed.
- Institutional support aimed at creating better conditions for local and foreign entrepreneurs and enabling them to develop their products and find export markets. This segment (programme) started basically as a result of the 1998 White paper, which stressed business environment as a main focus for Norwegian business-related support. The Embassy charged with this segment has in line with changed policies by Norwegian government by and large exited from the segment. One project remains related to training of entrepreneurs. Only one project in the segment (which has received the bulk of the funds) has been evaluated. The results have been fair with the caveat that sustainability is questionable.
- The fourth segment could be referred to as access to finance particularly for SMEs. This is a diverse segment, which includes support to Aureos East Africa with sub-projects, shareholding in DFCU (not evaluated) and the DFCU/Abacus scheme. It started in the late 1980s with funding through the East African Development Bank and is ongoing. This segment includes substantial direct and indirect investment by Norfund, and shows mixed results.

13. Pluralism and Fragmentation

As noted in the Sri Lanka case study Norwegian assistance for private sector development is fragmented, and delivered by various organisations without much effort of coordination. No clear strategy exists which keeps the organisations together. The funding channels are numerous and so are the possibilities to get support for training or capacity building. The fact that an Information Office is required to act as common entry point for companies interested to discuss their project plans confirms that the need for coordination is felt strongly.

The difficulties to get a comprehensive picture of Norwegian assistance to the private sector are not felt only by those outside the aid system; those inside also have difficulties. The assistance is channelled through Norad through its several instruments, the Embassy in its diverse portfolio, the investment company Norfund and its affiliates SN Power and Aureos Capital and through Strømme Foundation and other NGOs as well as FK Norway. An illustration of the fragmentation is that the Norwegian support to Uganda is split among the different organisations as follows: the Embassy in Kampala 26,0 %, Norad 28,9 %, Norfund 34,6 %, FK Norway 0,8 % and Strømme 9,7 % (funds mobilised through private contributions). There is limited coordination between these channels, and even limited information sharing. The Ministry of Foreign Affairs sets the broad strategic orientation for development aid to Uganda supported by an informal network of persons in different organisations, but private sector development is not a main focus for this work. The Norwegian Embassy plays an essential role, but due to limited staff, the Embassy does not have the capacity to oversee the many forms of assistance. The Confederation of Norwegian Enterprise (NHO) plays an important role in its investment facilitation, but works formally under Norad and has no overall coordination role. The lack of coordination is not an issue which relates to Uganda in particular, but it is part of the broader picture. It will therefore be addressed in the Main report.

The formal information system in the Norwegian development assistance is not geared towards easy sharing of information. Much of the information is kept locally and only maintained in archives in hard copies. Pluralism might be a good thing, but the weak information system in terms of what in fact goes on does not necessarily contribute to functional pluralism, or to informed decision making and strategic focus.

Fragmentation exists not only as regards the institutional set-up and information but also as regards policies adopted by Norwegian authorities. The number of aid sectors in Uganda has been reduced in accordance with the Paris Declaration and the UJAS process and PSD is no longer a sector for Embassy support to Uganda. A consequence of this is a withdrawal from support to the enabling environment for Ugandan private sector (policy framework, regulations, institutional development, etc), while support to concrete investment projects continues and also increasingly to the establishment of private-public partnerships (PPPs). The necessary link between enabling environment and investment support has thus been broken, the consequence of which is seen to an increasing extent at a project level. As noted previously, the meat processing project UMED/Nortura is a case in point, where institutional bottlenecks in Uganda could be reduced by Norwegian technical assistance. The fragmentation has also had an impact on the Bugoye hydropower project. The negative impact of this policy fragmentation is likely to increase if and when further projects facilitated by NHO will lead to investments.

14. The Success of Microfinance in Uganda

Development of microfinance in Uganda has been a success story during the last 15 years. The effectiveness of microfinance as a means to addressing poverty is acknowledged by all analysts. Mohammad Yunus became a Nobel Peace Prize laureate 2005 on the strength of his introduction of this powerful instrument to reach out to the poor and to empower women.

Norway can rightfully take pride in having been involved in microfinance in Uganda from its start as a charitable movement and its continuation, when the operators increasingly assumed commercial principles, up to the movement's present level of maturity, when the first operator became a full-fledged commercial bank. An essential element of this support is its holistic nature. Thus, Norway has supported policy developments through the Embassy in Kampala, the creation of an apex (wholesale) organisation by Strømme Foundation, the establishment and growth of the first large NGO operator, Pride Uganda, assisted by Norad, the privatisation of an NGO to the limited liability company Uganda Microfinance Ltd and it becoming a commercial bank through Norfund and its affiliate Aureos. So the success for Uganda is also a success for Norway. It is noteworthy that this holistic approach seems rather to have occurred by default, than by design. The sharing of information in between different Norwegian providers has been limited. And there has not been any overriding strategy for the microfinance support by the Ministry of Foreign Affairs or the Embassy.

15. Norwegian Investments in Uganda

15.1 Lessons learnt at the project level

Norway has a short and limited history of investments in Uganda. Three investments were made in the 1990s, all of them supported by Norad soft loans. Two investments (Clovergem and Africargo) were aborted much before the production reached capacity and any commercial success was obtained. Jambo Roses is the only remaining project from this first generation of investments. In the second half of 2000s a few investments have been made, where there is ongoing production: the plantation company Green Resources, the waste management project Norema and the telephone distributor Unophone. The Bugoye hydropower project started producing electricity only a few months ago. The meat processing project UMED/Nortura has not started any production - this will not take place in the next few years - but substantial aid resources through Norad have been allocated to get the project going.

There are reasonably good business prospects for three of the above companies. Green Resources has already become successful commercially. The Jambo Roses has not had good commercial results, but it has muddled on despite difficulties encountered. Bugoye has in-built a number of success factors, which makes the chances good that it will become a commercial success. The other four companies have already become bankrupt or are limping on with no positive future in sight.

Can any lessons be drawn from the experiences so far from these cases which can act as guidance for future Norwegian investment promotion in Uganda? As the number of unsuccessful projects is larger than that of successful there might be some lessons on what a project promoter or a matchmaking organisation like NHO should try to avoid or be very cautious about. Three factors stand out:

- **A good partner match.** It is striking that none of the companies, which show good prospects, has been established as a joint venture between one or several Norwegian partners and one or several Ugandan partners. Green Resources is owned wholly by Norwegian interests and so is Bugoye, while Jambo is majority owned by a Ugandan living in Sweden and by Norwegian investors. All the good prospect companies are thus controlled from Norway or by equity holders with strong links to Norway. The unsuccessful companies are all joint ventures on the other hand. That suggests that the joint venture concept is difficult and has to be approached with care. Two different business cultures have to be merged and the partners have to find a way to translate such merger into an efficient business operation and a win-win situation. Trust and mutual confidence has to be created early and be in place from the beginning. A way to bring this about is

to build the relations slowly. Successful joint ventures elsewhere have mostly been created as a result of previous commercial relations between partners through trading, licensing or out-sourcing or other kinds of business relations at arm's length. The partners thereby gain experience from their interaction and get to know what to expect when they enter into an in-depth commercial relationship. They have had time to assess the business culture of their partner and to build a common vision, to draw business plans together and ultimately to learn "to dream the same dreams". None of the unsuccessful joint ventures has started with such a period of engagement before they decided to "marry" and create a close business partnership.

- **Market knowledge and access.** The starting point for Green Resources was knowledge of the international markets for forestry products. For Jambo Roses the access to the Norwegian market through Buketten was an important starting point. The Bugoye project has a simple market situation as the company has only one client, the Ugandan transmission company. This could of course be a risk but that risk is mitigated by energy being the overriding binding constraint in Uganda and that the demand for electricity is so strong. And if for any reason there will be an overcapacity in Uganda, the likelihood is that it will be one of the expensive thermal producers, which would lose its customer(s), and not the supplier of cheaper energy, based on hydropower. Again, the unsuccessful companies have not had the intimate knowledge about their market beforehand.
- **The time factor.** It is exceptional that FDI projects are established within a time frame similar to the one which companies are used to in their home country environment. The time factor has as a consequence that project revenues are realised later than expected. There is a need for having a sufficient cushion in the capitalisation by extra equity capital, working capital or bridging finance. The Clovergem sponsors obviously did not take the time factor sufficiently into account and they therefore had to ask for loan rescheduling even before the production started. The other unsuccessful companies seem also to have overestimated the possible timing of the completion of project preparations and accessing the market.

15.2 The broader question: WHY UGANDA?

The 1998 White paper was silent on arguments which were in favour of Uganda as the country of choice for Norwegian business development support with a direct or indirect link to investments. Nor were arguments against the choice taken up. The fact that dissimilarities as regards the two countries geographical position and industrial structure are extremely large was not taken note of. Norway is a country with very long coastline and with a tradition of developing the potential which the sea creates in fishing and shipping, as well as of the establishment of land-based industries which support these sectors. Uganda on the contrary is landlocked with a long, arduous route to the sea. Norway has more recently created wealth based on an off shore oil and gas sector with important links to on shore mechanical industry and supply services. A similar potential does not exist in Uganda.

Uganda's comparative advantage is developing its broad-based agricultural sector by forward integration into agro-processing. Norway has left behind such develop-

ment strategy as the natural conditions were not suitable and the resource base not sufficient. While agriculture in a broad sense is and will in the next few decades remain the main sector in Uganda and includes prospects to generate growth, in Norway agriculture is an import substitution sector protected by high customs duties and high internal subsidies. Norway can however afford the luxury of keeping an active agriculture sector and by that keep the landscape open and the population spread all over the country and even in rather inaccessible locations.

The industrialisation of Uganda is still factor-driven. The next stage where for instance China and also Sri Lanka are positioned is efficiency-driven industry. Norway's industry is highly innovation-driven and sophisticated. It is theory and practise easier to find good partners if the levels of industry are not too wide apart.

The NIS 1 and 2 strategies did not question the initial assessment that Uganda was a suitable country for intensive business development cooperation. The NIS 1 focused on the enabling environment for industry. A number of proposals were made of which only a few have been implemented. However, this line of thinking has by and large been abandoned during the 2000s as PSD should no longer be a concentration sector for Norwegian aid to Uganda, which has reduced the scope for institutional development support. An exception here is forestry where Norwegian aid programme includes sector development and institutional support. Institutional support in the energy sector was prominent up to recent years but has recently been reduced and is now being replaced by a massive programme supporting the development of discrete generation and transmission projects.⁷⁷

The project focus of NIS 2 dominates the present thinking on PSD in Uganda. This makes the question WHY UGANDA all the more demanding. The country still lacks so many of the preconditions for a successful business sector development and for providing a stable platform for FDIs, which is confirmed by the low influx of FDIs, the poor rating in the Doing Business index and other indices referred to in chapter I section 2.4 and moreover by the fact that there exists hardly any Norwegian history of business relations with Uganda, be they trade or FDI.

As noted Uganda's comparative advantage lies in processing agricultural products. There is however a sad paradox here that it is well recognised in the donor community, namely that the ministry responsible for agriculture (and for animal resources and fisheries) is a weak ministry which would benefit highly from various forms of technical, managerial and institutional support. But except for Denmark and United States and some multilateral institutions no donor has given priority to the sector⁷⁸ or to agro-processing. And Norway has very little recent history of agricultural sector support in its aid programme. Only 2 % of Norwegian aid globally is directed towards agriculture.⁷⁹ There were components in the exited UNIDO programme in Uganda, which related to agro-processing. The future Norwegian PSD programme includes no such elements. And still so much of possible Norwegian

77 The institutional collaboration between Statnett and transmission line company UETCL, important as it is for the governance of the energy sector, is maintained, however

78 This has been an international trend which fortunately is being changed particularly after the publication of the seminal World Bank Report 2008 "Agriculture for Development"

79 Average 2004 - 2007 according to DAC

investments relate to agro-processing, the most spectacular one being a value chain Nortura programme starting with livestock and ending up (as the vision and project logic go) as red meat on the tables of Norwegian consumers. But this programme will require large investments related to the raw material base, part of which is covered in an 18 months, 20 million NOK interim programme supported by Norad on an exceptional basis. But what preparedness exists within the Norwegian aid system to cover similar urgent requirements in the future?

16. Fulfilment of Broader Strategic Objectives

16.1 Fulfilling the objectives of the 1998 Private Sector Development (PSD) Strategy

Three objectives for business related support were set out in the 1998 White Paper, namely:

- Strengthening of profitable enterprises and production in the 'South', whether in primary production, industries or services;
- Assuring and increasing employment and income, especially for under-privileged groups (the poor in rural areas and women);
- The support within the strategy should adhere to the broad objectives of the Norwegian development assistance, including environment, gender and human rights.

Most of the investment portfolio in Uganda is too young to assess against the first objective. The companies are making considerable efforts in a difficult environment but have difficulties in achieving their business objectives. NHO has done a commendable job in its investment facilitation, but should pay more attention to the capability of companies to master the difficulties ahead before giving them and their business ideas its support. An early screening function should be introduced with the objective of safeguarding that no dysfunctional investments are promoted.

In terms of the second objective, the microfinance portfolio has clearly contributed to poverty reduction, creation of employment opportunities and a situation where income could be generated in rural areas, mainly for women. The third objective, which includes cross-cutting issues like environment, gender and human rights, has not featured strongly in most of the instruments.

The table below shows our assessment of the PSD portfolio 1995-2009 in respect of key criteria established at the outset taken from the PSD Strategy.

Table 11 Assessing PSD instruments in Uganda against the PSD Strategy

Criteria	Result	Rating
1. Reduce the (economic) marginalisation of the poorest nations	Uganda is an LDC country with a GDP per capita of 420 USD. Norwegian PSD through microfinance has had a positive impact.	Fair
2. Increase the commercial links and trade between developing countries	Not a focus in the PSD portfolio.	Poor

Criteria	Result	Rating
3. Work towards a more <i>comprehensive support for business development</i> at country level, and identify the most important constraints and prioritised needs. Assure better coordination and synergies in what is done in different areas and through different channels	Attempted in NIS 1 study, but not pursued in practice in the portfolio 2004-2009.	Poor
4. <i>Improve the frame conditions</i> for business development in developing countries	The support to the Ministry of Finance MSE Unit has addressed frame conditions for microfinance. The other projects have not.	Poor
5. <i>Promote increased investments</i> both through domestic and foreign capital, including Norwegian capital	A difficult target in respect of Uganda. Aureos EA has been catalytic in bringing in capital for investment. The Bugoye hydropower includes international and Norwegian FDI and so does Green Resources (but limited amounts for Uganda, much more for Tanzania). Strømme Foundation has brought in French and Swedish microfinance support. UML (the MFI owned by Norfund and Aureos) has been exited and which brought in regional capital.	Fair
6. <i>Promote trade</i> with developing countries and stimulate exports from them	Green Resources are exporting to and importing from neighbouring countries. The UNIDO support may lead to increased exports.	Fair
7. Work towards <i>untying aid</i>	Bugoye has been tied and so has the Norad schemes. The rest has been untied.	Rather poor
8. Increase the use of <i>local suppliers</i> to the aid financed projects	Not targeted in the programme and not followed up.	Not known
9. Make active and good use of the <i>Norwegian competence base</i> , including the business sector.	NHO has made serious attempts. Norfund has used Norwegian competence in Bugoye. But other projects have little of this.	Fair

16.2 Alignment with the 2009 Norwegian Development Policy

Two main objectives have been identified by us in the new Policy of relevance for PSD. These are:

- *Natural resources management*, with an emphasis on good governance and sustainability. (Anti-corruption measures, a fair and transparent distribution of resources and income. Specific areas for assistance the petroleum sector, environment, hydropower and fisheries and how these are managed locally, nationally and internationally).

- *Equal rights, inclusion and economic justice.* (Focus is on the fair distribution of resources and equal rights for marginalised groups. Economic rights and access to resources and services within finance, technology, education, employment conditions and safety).

The natural resource orientation of the Uganda portfolio is strong. However, the management issues have not been addressed in the programme, except corruption against which measures have been taken at company level whenever discovered. Microfinance has become, by default rather than design, an important strand in the PSD support to Uganda. Microfinance support is driven by efforts to reach marginalised groups.

The 2009 policy identifies energy, renewable resources, telecommunication and tourism as key sectors for future Norwegian assistance. Energy and renewable resources are strong sectors in the portfolio both in terms of volume and results, while tourism and telecommunication are weak, and the few efforts made have not led to positive results.

The support to Uganda is only partially market-driven. Despite the fact that the PSD support is more supply than demand driven, the policy orientation of it is rather weak, however. The balancing act between the market forces and the political orientation of development assistance is a key theme, which will be further explored in the Main report.

16.3 Addressing binding constraints for PSD in Uganda

The World Bank identifies two overriding binding constraints - energy and transportation - and underplays other possible constraints.⁸⁰ However, the Doing Business Index, which has as its starting point the perception of the business sector, gives Uganda a particularly negative scoring on a few other problematic issues facing investments and business operations. These binding constraints are also assessed below.

Table 12 Assessing Norwegian PSD against 'binding constraints'

Binding constraint	Portfolio assessment
Energy	The proposed strategy document 2010 - 2012 on future Norwegian assistance to Uganda gives a very strong emphasis to energy.
Transportation	Not addressed, except by a failed soft loan project.
Access to financing	The microfinance system, with Strømme as an apex body and with three large MFIs and a few smaller ones, improves the access to finance considerably. Norfund supports a number of regional institutions which will increase the access to finance and so does Aureos as shareholder of Bank of Africa, Uganda.
Tax rates	Not addressed.

⁸⁰ See chapter I section 2.4 heron.

Poor work ethic in national labour force	Not known whether this constraint has been addressed in portfolio projects.
Inefficient government bureaucracy	Not particularly addressed in the PSD support. The Ministries of Tourism, Trade and Industry and of Agriculture, Animal Resources and Fisheries remain inefficient. The Ministry of Finance project was executed by the most efficient Ministry, which hereby has further increased its capacity.

17. Relevance, Impact, Effectiveness, Efficiency and Sustainability

This report has made assessments against the key standard DAC (Development Assistance Committee) criteria for evaluations under the separate programmes, and in addition against two important cross-cutting criteria. Below is a summary for the evaluated programmes in respect of these criteria (0 = poor, 5= excellent).

Table 13 Summary assessment of PSD programmes and projects in Uganda

	NHO projects in production*	Norad loans (Jambo)*	Embassy support UNIDO	Micro-finance cluster	Norfund**	FK Norway
Relevance	2,5	2	3	5	2-5	2
Additionality	4	3	4	4	3-5	3
Effectiveness	2	2	3	4	1-4	3
Sustainability	2,5	2	1,5	5	1-4	3
Institutional efficiency	2,5	2	3	4	1-4	3
Cost-effectiveness	2,5	1	3	2	1-4	2

* Includes ABS support to projects facilitated by NHO and Norad loan borrower, respectively

** The higher figure refers to Norfund's investments in Aureos/UML/BRAC Africa/regional funds, the lower to DFCU/Abacus

Overall, from the assessment we conclude that:

- the programmes are, overall, reasonably effective in achieving their stated objectives. As the objectives are in most cases expressed in qualitative terms, this assessment is necessarily subjective.
- all the programmes have a reasonable or high degree of *additionality*; hence Norwegian aid has not financed activities which would have been implemented anyway.
- in terms of *sustainability* there is a mixture of projects which have high sustainability - almost the whole microfinance cluster and the Norfund-supported projects (except DFCU/Abacus) - and those with low sustainability. The PSD secretariat of NHO has almost by definition no financial sustainability as it is highly unlikely that NHO would use its own funds to facilitate projects in Uganda. UNIDO has not done enough to create a private sector demand which can be translated into paying customers, of key programme components.
- DFCU/Abacus, a joint Norfund/Norad pilot scheme administered by Norfund, does not reach its target group: enterprises which have too big loan require-

ments to become clients of microfinance institutions with their solidarity and group lending and security systems, but which are too small for commercial banks' security-based lending systems ("The Missing Middle"). The scheme as applied in the case in Uganda has other flaws of a more administrative nature, which cause reputational risks. These issues need to be addressed before the Abacus programme is replicated elsewhere.

- the sustainability of the microfinance cluster would have been rated even higher if the problems of governance and ownership would have been addressed more actively by the Embassy and Norad in the case of Pride Uganda
- with these few exceptions the programmes have been reasonably well implemented, but they have a common problem: they are *weak* in in-built *results-assessment*. The organisations are more geared towards planning and implementation than assessing what is being achieved.
- the *cost-effectiveness* of the programmes varies, but none of the programmes can be judged as poor in this respect.

In terms of the assessment of overall impact, most investment projects are established too recently to be measured with any certainty. The microfinance cluster has got sufficient maturity for an assessment, however. And here the overall rating is high. In terms of microfinance Norway was not only one of the very first donor countries which ventured into the sector. Norway has continued to play a leading role and has been the only donor that has operated at all levels: at the policy level, the apex financing level and the MFI level, and has been an efficient investor in the sector and also an important adviser to sector organisations.

Annexes



Annex 1: Persons Met in Uganda and Norway

In Uganda

Embassy of Norway	Björg Leite Gjermund Saether Mary Mabwejjano Per Kristian Johansen Helle Biseth Samuel Kajoba Nils Dårflot	Ambassador Deputy Head of Mission Sr programme Officer First Secretary First Secretary Sr Programme Officer Energy Counsellor
Embassy of Sweden	Anders Johnson Per Dans	Ambassador First Secretary, PSD
Embassy of Denmark	William Mugerwa	Programme Officer
World Bank	Moses Kibirige Willie Onyang Odwongo	Financial and PS Development Sr. Rural Development Specialist
FK Norway	Nita Kapoor Fibre Hailemeskel David Matovu	Director General Regional Representative Programme Officer
Ministry of Agriculture, Animal Resources and Fisheries	Georg Ococh	Commissioner for Animal Resources
Ministry of Tourism, Trade and Industry	Samuel Ssenkungu	Commissioner, Industry and Technology
Ministry of Finance, Planning and Economic Development	Henry Mbaguta, Lance Kashugyera,	Assistant Commissioner, Coordinator, Rural Financial Services Programme
Uganda National Bureau of Standards	Dr Terry Kahuma, Samuel Balagadde	Executive Director Manager International and Technical Liaison
Association of Micro Finance Institutions of Uganda	David Baguma,	Executive Director,
Bank of Uganda	Prof. Emmanuel Tumusiime- Mutebile Grace Kasisira,	Governor Assistant Director, Non-Banking Financial Institutions

State House	Hon Steven Harry Bamwanga	Senior Presidential Adviser/ Political
Electricity Regulatory Authority	Johnson Kwesigabo	Secretary/Legal Council
Uganda Cleaner Production Centre (UCPC)	Eng James Ludigo James Dubi,	Technical Officer
Uganda Flowers Exporters Association	Juliet Musoke	Executive Director
Uganda Small Scale Industries Association	Joseph Ssekandi	Programme Coordinator
Uganda Investment Authority	Tom Buringuriza	Deputy Executive Director
Tourism Uganda	James Bahinguza	General Manager
DFCU Bank	Juma Kisaame James Mugabi Kailash Giri,	Managing Director Head of Development and Institutional Banking General Manager Treasury, Trade Finance and International
Bank of Africa, Uganda	Michel Kahn	Managing Director
Equity Bank Uganda	Charles Nalyaali Julius Mujuni, Mr Musamat	Managing Director, Branch Manager, Luweero Equity Bank client
Pride Microfinance Ltd	Veronica Namagembe Gerald Kikambi, Suliaman Katende Rev William Ssentumbwe Mary Kyowa	Managing Director Head of Finance Treasury Manager Pride client
BRAC Uganda	Khondoker Ariful Islam Sharon Nsimenta	Country Programme Coordinator Branch Manager, Luweero
Stromme Microfinance East Africa	Priscilla Serukka Paul Mayanja Daniel Sentumbwe	Chairperson CEO Microfinance Officer
Centenary Bank	Prof. j. Ddumba-Ssentamu	Chairman
Bangladesh Bank	Dr Atiur Rahman	Governor
Micro Credit for Development and Transformation SACCO	Olivia Kayongo Sarah Chizura, Eseza Nakyanzi, Prossy Naluwelo	CEO MCDT client
Green Resources	Isaac Kapalaga	Managing Director
Tronder Power Ltd	Gunnar Salseggen	Managing Director
Jambo Roses	Helga Frankly Edward Sebastain Juliet	Human Resources Manager Accountant Production Manager Plant Manager

Akright Projects Ltd	Anatoli Kamugisha Alex Kamukama	Managing Director Finance Director
Nortura	Tracy Hathorn	Resident Representative
Owen Falls Luxury Hotels	Roberts	
Frankfurt School of Finance&Management	Pamela Hedstrom	Resident Adviser
Inter Continental Investment	M.M.Bagalaaliwo	Chairman
CK& Co Ltd	Christopher Kafure	Managing Director
Norema	Nooh Mayambala	CEO
Norfund (Nairobi)	Per Emil Lindoe	Resident Representative
Aureos Capital (Nairobi)	Davinder Sikand Kiriga Kuniya	Regional Managing Partner
Fanisi (Nairobi)	Nthenya Mule	Business Advisory Services Manager
Swedfund (Nairobi)	Stefan Jansson	Resident Representative

In Norway (or by Phone, Marked *)

Ministry of Foreign Affairs	Mette Masst Johan Sørby	Senior Adviser Programme Manager Uganda
Norad	Bjørn H. Eriksen Dag Larsson Tor Morten Sneve Hans Henrik Thaulow Åshild Strand Vigtel Geir Hermansen Christian Fougner Kaja Stene Tore Selvig Elin Rømme Jon Teigland	Director, PSD Department Senior Adviser, PSD Senior Adviser, Energy Senior Adviser Senior Adviser Senior Adviser, Energy
Norfund	Kjell Roland Elizabeth Lee Marinelli Elin Ersdal Mark Davis Kjartan Stigen Marianne Halvorsen Deepak Malik* Kristoffer Beer Urheim Moses Muriuki	Managing Director Head of Department, Financial Institutions and Funds Head of Department, Direct Investments Investment Director Investment Director Investment Manager Investment Director, Southern Africa Associate Trainee
Strømme Foundation	Lars Erik Harv	Microfinance Director
FK Norway	Helge Espe	Deputy Director General

Information Office for PSD	Erik Strømsø Halvard Lesteberg	Senior Adviser Senior Adviser
Confederation of Norwegian Enterprise (NHO)	Tori Tveit Niels Christian Nøckleby Åsa Sildnes Inger Østby	Head of PSD Secretariat Director NHO Uganda Programme 2003 - 2009 Programme Director Assistent Director
Nordic Microfinance Initiative	Richard Weingarten	CEO
Green Resources	Mads Asprem* Olaf Bjella	CEO Resource Management Director
Nortura	Gunnar Dalen* Ivar Foss	Director Project Manager
Asker Bærum TV	Lars Bull*	
Enjoy Africa	Ole Petter Fiskum*	
Trønder Energi	Jon Einar Vaernes*	VP International projects
Pride Architects	Frank Wiese	Managing Director
Jambo Roses	Oisten Larsen* Daniel Kiryango*	Chairman CEO
Unophone	Terje Mikalsen*	CEO
Mester Grønn	Frank Gjerset*	Project Director
Reno Norge	Svein Tore Aurland* Karl Solberg	Finance Director Consultant
Norsk Form	Siri Eggesvik*	

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Annex 3:

Components in The Nortura/Umed Meat Processing Project

Component	Responsible	Total budget (USD) five year programme	Possible source of finance five year programme	12 - 18 months Norad interim programme
1. Establishing two Disease Control Zones (DCZ), north and southwest of. Kampala	MAAIF	9,074,000	World Bank	Not included
2. Enhancing livestock production	MAAIF/ UMPC	5,276,400	World Bank	1,125,000
3. Developing animal health and meat hygiene services	MAAIF	1,584,800	World Bank	780,000
4. Programme management. Establishing UMEC	MAAIF/ Nortura	3,610,000	Norad/Nortura	900,000 (and Nortura 385,000)
Total budget 5 years (1 - 1½ years) - UMED	UMED	33,809,600		(3,190,000 whereof Norad 2,805,000 (20 MNOK)
5. Budget for setting up of two abattoirs and one meat processing plant (owned by Uganda Meat Export Company)	UFMC	17,800,000	Mixed credits, JV partners (Nortura, Uganda Meat Producers Cooperative etc)	Not included

Annex 4: Detailed Project and Programme Assessments:

1. Unido Programme

(Two out of four programmes assessed)

A: The Master Craftsmen Programme (MCP)

	Assessment criteria	Rating	Explanation
1.1	Inputs	X	Funding from UNIDO, Norwegian Embassy and support from various Government and Private sector institutions
1.2	Cost to Norwegian aid	X	Initial budget for the Master Craftswomen Programme (MCP) was USD1082, 000. End of the programme absorption rate 79 %.
1.3	Other inputs	0	No other inputs into the MCP programme
2	Outputs	3	Established advisory services and enhanced the technical skills of women entrepreneurs in rural areas achieved Advisors were trained 1, and 2,000 MSE trained by Advisors. But, little was achieved in respect of improving women entrepreneurs' access to information and technology and strengthening of women entrepreneurs networks
3	Outcome	3	It is reported that advisors' businesses benefited by increases in profitability, improved quality of products and associated enhanced ability to charge higher prices, increased production capacity, improved safety standards. However, effects on wider beneficiaries are much more limited.
4	Impacts		
4.1	Policy; regulations	N/A	Not addressed
4.2	Sector institutions (Govt)	2	Involvement of the Ministry of Tourism, Trade and Industry (MTTI) created awareness of methodologies used
4.3	Enabling environment	1	Not addressed directly. Greater awareness of the needs of MSEs run by women and in rural areas could have an indirect effect on policy makers in the future
4.4	FDI from Norway	0	None
4.5	FDI general	0	None

	Assessment criteria	Rating	Explanation
4.6	Trade Norway	N/A	Not addressed or known
4.7	Trade general and with other developing countries	1	The programme objective was to develop business partnerships and market networking between foreign as well as local entrepreneurs. Although no data was available it is likely that some cross border trade took place as a result of the programme, but given the focus on MSEs the scale of any trade is likely to have been small.
4.8	Financial systems and capital market	N/A	Not addressed
4.9	Business organisations	2	District level business associations were enhanced as some of the programme activities were channelled through these. They also gained more insight into the constraints and needs of members.
4.10	Employment direct	2	Yes, as a result of reported increased production and profitability. However, the scale of increase is likely to be small, e.g. if all MSE advisor businesses employed one extra person, only 200 additional jobs would have resulted. There is no data on the amount of employment generated in businesses trained by the advisors.
4.11	Employment indirect	2	Yes, as a result of increased production of MSEs participating in the component
4.12	Technology and know how transfer at company level	4	Yes, through the training courses delivered during the component
4.13	Sector development	2	To limited extent. Other businesses will have been affected by the changes made in participating MSEs.
4.14	Country competitiveness	1	To a small degree only given the scale of the programme and its focus on MSE level
Poverty Impact			
5.1	Local/regional socio-economic conditions	3	Living standards likely to have improved for advisors' as their businesses became more profitable.
5.2	Inclusion of marginalised groups	3	The programme specifically targeted women entrepreneurs and rural entrepreneurs. Over half of those who benefited were women entrepreneurs.
5.3	Addressing regional imbalances	2	Four Northern regions (out of a total of 15 regions) covered in the programme and rural areas were specifically targeted. However the scale of the programme was small in overall national terms.
5.3	Macro effects	1	Limited

	Assessment criteria	Rating	Explanation
Cross-cutting issues			
6.1	Environment	1	Some impact as environmental issues were covered in the training
6.2	Health and Safety	2	Yes, to some degree as health and safety were covered in the training
6.3	Labour conditions	2	Yes, through higher production and profitability
6.4	Gender	3	201 MCP advisors were trained of which 57% are women. . Whilst MCP specifically targeted women, the programme design made it difficult for women to participate, e.g. the training involved trips away from home and business,. Women of child bearing age would have had to bring children to training, but there was no budget for this.
6.5	HIV/AIDS	2	Covered in the training
7	Sustainability	2	Advisors are not willing to leave their businesses to train others; the opportunity cost is too high MSEs are often unwilling or unable to pay for advisory services or apprenticeship. Some NGOs offer similar services for free, thus undermining sustainable development of the service. The MCP has not yet been institutionalized within the partner Organizations, whether on the national or on the district levels.
8	Additionality	3	Yes. The component appears to have had a direct positive effect on advisors' businesses and to a more limited extent on other MSEs.
Institutional assessment			
9.1	Efficiency	3	201 advisors were trained. Target was 300. This was higher than the 102 trained in the first phase. MCP activities were 4-6 months behind schedule. Uganda Women Entrepreneurs Association did not sign an MoU to perform parts of the project activities. This affected two key outputs. As a result not all aspects of the component design were followed or done, or were significantly delayed. Only 55% of the actual budget (and 26% of the initial budget) was used in implementation, by 2006 The Project Manager changed during the course of the implementation and there was no UNIDO coordinator in Uganda for the last year of the project. This affected coordination and implementation, communication, decision making, payment delays. Project Manager only visited the project once.
9.2	Results-measuring	2	A lack of focus on results-orientated reporting is acknowledged by the National Programme Co-ordinator.

	Assessment criteria	Rating	Explanation
9.3	Quality assurance	2	Regular meetings were held until 2007. However quality was compromised during the last year as there was no Uganda based Coordinator.
9.4	Coordination with other Norwegian PSD programmes	0	None
9.5	Exit strategy	1	There does not seem to have been an exit strategy in the project design. None was implemented at the end of the project.
9.6	Corruption risk	0	Not addressed in the programme
9.7	Programme effectiveness	3	Two objectives were met well: i) establishment of MCP advisory services and raising general awareness on availability and accessing advisory and training services, ii) enhancing technical and business skills of women entrepreneurs in rural areas. Whilst outputs for some aspects of the component have been achieved (awareness raising,, enhancing the technical and business skills of women and rural entrepreneurs, not much was achieved with regard to other aspects of the programme, such as information sharing, policy advocacy and networking. The programme was subject to UNIDO's financial system which is bureaucratic and inflexible and did not allow for disbursements to be made which fell outside the original budget. This resulted in cash flow constraints which affected programme efficiency and results.
9.8	Cost-effectiveness	4	The average cost of involving each participant business in the component was about USD60 (using the actual budget used). This is very cost effective, even considering that two objectives were not met well.
Relevance			
10.1	Coherence Norwegian policies	3	Yes with regard to support for small and medium enterprise development and gender policies
10.2	Coherence Government priorities	4	Yes, the programme aimed at reducing poverty; promote rural entrepreneurship, women entrepreneurs. The MCP project fits well into the Government's priority objective of poverty reduction
10.3	Addressing binding constraints	2	Yes, to the extent possible by the component in that the component was focused on developing rural based MSEs and on women.
10.4	Relevance for Norwegian business	0	None

	Assessment criteria	Rating	Explanation
Aid issues			
11.1	Untying of aid	5	Not tied
11.2	Donor coordination	3	Donors in Uganda offer similar training free of charge and this undermines the market of supporting a viable and sustainable market for Business Development Services (BDS) provided by MCP advisors.
11.3	Replicability and scaling up opportunities	5	The component was largely successful and could be replicated and scaled up. It would require ongoing funding, however, as well as several full time staff on the project, as it is unlikely to be fully sustainable in the long term.

B. The Uganda Cleaner Production Centre (UCPC)

	Assessment criteria	Rating	Explanation
1.1	Inputs	X	Funding of UCPC II from UNIDO, Norwegian Embassy. UCPC I financed by Austria. Support from various Government and Private sector institutions
1.2	Cost to Norwegian aid	X	USD 317 000 allocated in the UIP II budget
1.3	Other inputs	0	No other inputs
2	Outputs	4	120 companies participated in Eco-benefits programme 14 companies have achieved ISO 14001 Certification A graduate diploma course for Makerere University designed
3	Outcome	3	Many examples of large savings for energy and economy. Awareness still low. Follow-up, sustaining the savings not done in a way that can ensure medium term effects.
4	Impacts		
4.1	Policy; regulations	3	Draft national Policy on Sustainable Consumption and Production. MTTI will “in due course” present it to Govt. for finalisation.
4.2	Sector institutions	2	MTTI intends to turn UCPC into a trust and provide salaries for a “lean” staff.
4.3	Enabling environment	1	Many consultancy companies trained. No examples given of their improved skills and services being provided.
4.4	FDI from Norway	0	Not an objective for the programme.
4.5	FDI general	0	Not an explicit objective for the programme.
4.6	Trade Norway	1	Eco design experts from Norway. could possibly have trade effects

	Assessment criteria	Rating	Explanation
4.7	Trade general and with other developing countries	1	ISO 14001 Certification of export and tourism companies. Not an objective of programme
4.8	Financial systems and capital market	2	Improved cost control and corporate economic management systems.
4.9	Business organisation	0	Not targeted
4.10	Employment direct	1	5-7 persons at the centre.
4.11	Employment indirect	0	Not a target
4.12	Technology and know how transfer at company level	4	Has triggered new technologies, new methods, new practices in targeted companies and organisations. Implementation and mid term effects not followed up.
4.13	Sector development	3	Increased eco-awareness.
4.14	Country competitiveness	1	ISO certification and improved eco efficiency for a smaller number of companies.
Poverty Impact			
5.1	Local/regional socio-economic conditions	2	Not targeted. Economic improvements in some companies, less pollution. Effects not measured.
5.2	Inclusion of marginalised groups	0	Not part of the objectives.
5.3	Addressing regional imbalances	0	Half of the companies in Kampala. 80% within Kampala, Jinja and Fort Portal.
5.3	Macro effects	0	Small scale, not spread organically.
Cross-cutting issues			
6.1	Environment	4	Positive impact reported.
6.2	Health and Safety	0	Not targeted
6.3	Labour conditions	0	Not targeted
6.4	Gender	0	Not targeted
7	Sustainability	1	Low as fees not introduced
8	Additionality	4	The only such initiative in place

	Assessment criteria	Rating	Explanation
Institutional assessment			
9.1	Efficiency	3	
9.2	Results-measuring	4	A good results report by UCPC
9.3	Quality assurance	4	A specific target broadly achieved.
9.4	Coordination with other Norwegian PSD programmes	0	Not targeted
9.5	Exit strategy	1	UCPC will continue to be dependant on foreign aid.
9.6	Corruption risk	0	Not targeted
9.7	Programme effectiveness	3	Reasonably good
9.8	Cost-effectiveness	3	A relatively small budget component has achieved good results
Relevance			
10.1	Coherence Norwegian policies	4	Environmental issues highlighted in Norwegian policies
10.2	Coherence Government priorities	4	Working with implementation of environmental multinational agreements, and environmental legislation.
10.3	Addressing binding constraints	2	Pollution is not a binding constraint at large, but economic performance is.
10.4	Relevance for Norwegian business	0	Not at all
Aid issues			
11.1	Untying of aid	4	Norwegian assistance in eco design.
11.2	Donor coordination	2	Not required. A small programme where Norway has been the only donor
11.3	Replicability and scaling up opportunities	3	Should be fairly easy in theory. Standard material and many consultants trained. Demand is probably not there, still lack of awareness.

2. Ministry of Finance Microfinance Policy Unit

	Assessment criteria	Rating	Explanation
1.1	Inputs	X	Financial assistance, no technical assistance
1.2	Cost to Norwegian aid	X	USD 518,000 for the first phase (2000-2003) USD 919,200 for the second phase (2004-08)
1.3	Other inputs	3	Government of Uganda (GoU) gave counterpart funding.
2	Outputs	4	The Goal to strengthen the MSE Policy Unit's capacity to formulate policies, legal and regulatory framework and to lead national coordination of MSE sector to a very large extent achieved
3	Outcome	3	1. Policy for MDI formulated and enacted into law in 2003 Microfinance Outreach Plan formulated and a law to govern small member-based MF village activities 2. Coordinated the MF Forum. Established the MSE Coordination Committee and the Linkage Programme 3. Reports on the status of the microfinance sector published. However the survey on the MSE sector was not completed 4 Information disseminated through quarterly reports. MSE Sector profiles produced 5. Project has enabled MSE to have better access to finance.
4	Impacts		
4.1	Policy; regulations	5	Policies have led to dynamic growth of microfinance (MF) sector under regulated forms
4.2	Sector institutions	3	The Unit has been upgraded to a Department within the Ministry
4.3	Enabling environment	3	Enabling environment effected to some extent through regulations, laws and policies developed for MF and MSE sectors.
4.4	FDI from Norway	0	No evidence
4.5	FDI general	0	No evidence
4.6	Trade Norway	0	No evidence
4.7	Trade general and with other dev countries	0	No evidence
4.8	Financial systems and capital market	4	Significant impact on the MF sector through the enactment of the MDI Act.
4.9	Business organisation	3	Yes, to some extent. The Unit has been working closely with MSE and MF umbrella organisations on the development of policies.
4.10	Employment direct	0	Not applicable to this project as it worked at policy development level

	Assessment criteria	Rating	Explanation
4.11	Employment indirect	0	Not applicable to this project as it worked at policy development level
4.12	Technology and know how at company level	0	Not addressed
4.13	Sector development	3	Yes as a result of the policies developed. More so in the MF sector than MSE sector
4.14	Country competitiveness	3	Yes through policy developments
Poverty Impact			
5.1	Local/regional socio-economic conditions	3	Yes through the MF sector developments and implementation of the MF Outreach Plan
5.2	Inclusion of marginalised groups	3	Yes through the MF sector developments and implementation of the MF Outreach Plan, and MF focus on women and rural inhabitants.
5.3	Addressing regional imbalances	3	Yes through the MF sector developments and implementation of the MF Outreach Plan, and MF focus on women and rural inhabitants
5.3	Macro effects	2	Limited
Cross-cutting issues			
6.1	Environment	1	Not specially addressed, but some benefits from policy
6.2	Health and Safety	2	Addressed in policies developed
6.3	Labour conditions	2	Addressed in policies developed
6.4	Gender	3	Not specifically addressed, but the development of the MF sector, which benefits a large % of women will have strong impact on women's well being
6.5	HIV/AIDS	2	Included in several policies developed
7	Sustainability	4	The Policy Unit has been upgraded to a Department which will give it greater recognition and priority in the longer term. The Unit now works with rural outreach plan. Whilst there is a sense of ownership around the MF sector policy development, the sense of ownership around MSE policy development appears much weaker.
8	Additionality	4	The programme almost certainly would not have happened in the depth without the Norwegian support

Assessment criteria		Rating	Explanation
Institutional assessment			
9.1	Efficiency	4	The project was slow to get started Money for all the activities and outputs for the project inadequately budget for resulting in some activities not being completed, e.g. nation wide MSE network development The embassy has had limited capacity to oversee this PSD programme
9.2	Results-measuring	5	The project was evaluated after the first phase and the second phase. Regular and audits reporting done and approved
9.3	Quality assurance	3	Quality on the MSE policy development component of the project was compromised to some extent by the GoU lack of focus on the MSE sector in favour of the MF sector.
9.4	Coordination with other Norwegian PSD	0	Not addressed
9.5	Exit strategy	1	An exit strategy does not appear in the agreement. It seems that the modus operandi assumes ongoing donor support.
9.6	Corruption risk	3	Audits done and approved.
9.7	Programme effectiveness	3	The project would probably have been more effective if the design had split MSE and MF into separate projects. This may have contributed to the MSE component being sidelined. The design does not seem to have factored in capacity and resources within the Ugandan Bureau of Statistics to process the data from the surveys done. This seems to have been a design oversight. MSE policy development was hindered by the lack of capacity within MSE sector associations. These have had far less donor support and focus over the years compared to the MF sector.
9.8	Cost-effectiveness	3	USD1.5 million seems a large amount for what has been achieved.
Relevance			
10.1	Coherence Norwegian policies	5	Yes, through focus on reducing poverty
10.2	Coherence Government priorities	5	Yes, through promoting the both MF MSE sector development which is a priority for the GoU. Also coherent with GoU's poverty alleviation programmes and enhancing economic growth strategies.

	Assessment criteria	Rating	Explanation
10.3	Addressing binding constraints	2	Yes to the extent that relevant policies are in place for the development of the MF sector. MSE to a lesser extent. Both contribute to an environment to address binding constraints
10.4	Relevance for Norwegian business	0	No relevance
Aid issues			
11.1	Untying of aid	5	Fully untied. No use of Norwegian resources
11.2	Donor coordination	5	Only Norway was involved.
11.3	Replicability and scaling up opportunities	4	Yes, the programme could be replicated elsewhere. Scaling up is not relevant in this project as once policies are in place the programme's objectives have been met.

3. Stromme Microfinance East Africa

	Assessment criteria	Rating	Explanation
1.1	Inputs	X	Grants from Norad for SMFEA 2000 - 2009 MUSD 6,3 Own capital mobilisation <u>7,9</u> 14,2 Use in Uganda 5,6 Of total capital: used for loans 12,3 used for TA 1,3 used for grants 0,6
1.2	Cost to Norwegian aid	X	From Norad 2000 - 2009 for SMFEA MUSD 6,3 39 % thereof for Uganda 2,5
1.3	Other inputs	4	SIDI (of France) loan of D425,000 in 2008, Läkarmissionen grant of SEK 2 million to support partner capacity building
2	Outputs	4	2008 (Uganda only) 20 partners borrowing USD4,35m, Pride 2,5, UML 0,5, BRAC 0,55 17 partners performing, 2 doubtful, 1 loss (USD0,1 m) 5 beneficiaries of capacity building support of USD0,98 m
3	Outcome	3	SMFEA has become operationally sustainable (operational self sufficiency 110,4 %, and made progress towards financial sustainability. In 2008 small profit (ROE 1,2 %)

	Assessment criteria	Rating	Explanation
4			Impacts
4.1	Policy; regulations	3	Have had some influence regarding Performance Management Tool, and on housing microfinance products, and supporting the MF Forum. Also worked with other MF players to shape the MDI Act. Have recently initiated discussion with the Capital Markets Authority to mobilise local resources. Is trying to influence government not to distort the MF market by pouring in funding for the SACCOs extension programme
4.2	Sector institutions	2	Has worked with MF Policy Unit, but impact limited
4.3	Enabling environment	3	On the one hand, SMFEA has enabled several MFIs to develop and expanded and developed the quality of several industry players. On the other had, SMFEA's assistance has taken the pressure off MDIs to mobilise deposits from clients. This could be undermining MDIs focus and capacity to be customer orientated.
4.4	FDI from Norway	0	None
4.5	FDI general	0	None
4.6	Trade Norway	0	None
4.7	Trade general and with other developing countries	1	As SMFEA works regionally (also in Kenya, Tanzania, Rwanda and Southern Sudan) from Kampala head quarters some regional trade may occur
4.8	Financial systems and capital market	1	Yes, through doing a feasibility study for the provision of housing MF. See comments in 'sector development' below. Donors may have distorted the market through overly generous TA and loans to MFIs.
4.9	Business organisation	2	Indirectly through strengthening partner organisations
4.10	Employment direct	3	Yes, through assisting partners to expand their operations profitably. E.g. Pride employs 450 people, BRAC employs over 1,000 Ugandans (85% women). Attribution to Norwegian aid is diluted as these organisations receive funding and support from other sources.
4.11	Employment indirect	2	Through increasing the capacity of its partners to provide micro loans to entrepreneurs for expanding businesses, buildings which enable them to create demand for services and goods – e.g. send children to school, purchase more food, clothes etc.
4.12	Technology and know how transfer at company level	3	Yes, through business development services offered by partner organisations to clients in business activities.

	Assessment criteria	Rating	Explanation
4.13	Sector development	3	Trend that banks are encroaching on the traditional segments of MFIs and MFIs are encroaching on the traditional segments of some banks <u>Positive</u> Yes, through the support of institutional capacity building amongst partner organisations and the competitiveness this generates amongst other sector players. Networking with other apex organisations to ensure the sector operates effectively and efficiently. Supporting MF practitioner networks to lobby for sector development. SMFEA builds the capacity of MFIs, SACCOs and thereby builds capacity within the sector An NGO like Stromme was only allowed to receive grants that were given away to the local partners. SF changed this around 2002 and started to receive grants from Norad that were given as loans to the local partners. <u>Negative</u> Offering loans at lower interest rates than other donors and finance market could undermine market forces in the financial sector. This could also act as a disincentive to MFIs to mobilise deposits from clients as
4.14	Country competitiveness	3	Has contributed to the sector's ability to attract local, regional and international funding and investment
Poverty Impact			
5.1	Local/regional socio-economic conditions	4	Decrease in poverty through increased access to finance is the focus of SMFEA Has supported NGOs in the poorest regions in e.g. Karamoja
5.2	Inclusion of marginalised groups	5	The poor are the main focus of MF activities. Technical assistance has been directed at partners who work in rural areas, with women Strategic focus is on building outreach through MFIs and SACCOs with operations in rural areas Evidence that MF assists to improve nutrition, enables parents to pay for school fees for their children, expand their businesses, and improve their housing, improved access to health care. NB: Difficult to assess as SF lack of result-measuring at user level
5.3	Addressing regional imbalances	4	With the move in focus to larger, more established MFIs Stromme is not as focussed as it was on rural micro finance. However, most partner organisations have strong focus on rural areas
5.3	Macro effects	2	Whilst MF is the main focus, impact is limited given the overall scale of poverty in the country

	Assessment criteria	Rating	Explanation
			Cross-cutting issues
6.1	Environment	1	None yet, but are in the process of exploring how to advise partners on environmental and energy issues, and looking at ways to save energy.
6.2	Health and Safety	0	Presumably none. HSE standards tend to be low for MFIs
6.3	Labour conditions	0	See above
6.4	Gender	4	Most MFIs focus on women. Reports of reduced domestic violence through economic empowerment of women. SMFEA has six staff, one of whom is female. There are nine Board members, four of whom are female. Have influenced partner organisations on gender and the inclusion of women
6.5	HIV/AIDS	2	Yes, to some extent through training for self help MF groups. Have influence partners on HIV prevention programmes
7	Sustainability	5	In 2008, SMFEA Ltd was 110% operationally self sufficient. Has become much less dependent on SF, and it is hoped that by 2013 SMFEA will be financially self sustaining. More market responsiveness in services will support sustainability, e.g. a comprehensive package of financial and non-financial services is increasingly offered. E.g. agro microfinance, housing microfinance, etc Sustainability may be under pressure as banks encroach on traditional segments of MFIs No dividend policy for the time being to build the capital base Greater focus on developing savings potential will mean less dependency on external funding for MFIs SMFEA's partners could be undermined by government funded SACCOs Strong board, strong management leadership, well networked, clear strategy Regional focus mitigates risk Greater ability to attract funders now that it is a company limited by shares Qualified and competent staff The gross EA portfolio grew from just over USD 4 million to over USD 10 million in 2009. This was on target according to projections in the 2005-09 Business Plan. SMFEA has been allowed to on-lend loans from Norad on an experimental basis

	Assessment criteria	Rating	Explanation
8	Additionality	5	Has assisted UMU in its transition to becoming a MDI and paved the way for UML to merge with Equity Bank. Stromme adds value through its innovation and package of services around MF activities at institutional level and, product development Additionality has also been achieved through offering loan financing at cheaper rates than other commercial or donor products SMFEA has shifted its focus in the 2005-09 Business plan to focus on smaller MFIs with potential to become strong and viable. SMFEA has experience and skill and resources to build the financial and non-financial capacity of MFIs. There are three MF apex organisations in Uganda: SMFEA is the only one to offer equity investment as part of its service portfolio. SMFEA has local Ugandan presence. SMFEA is assisting partners with introducing new products: micro leasing, housing micro finance and agricultural; microfinance. Stromme has in the past supported guarantees. These have given banks confidence to lend to MFI's which are often without collateral and were considered risky to lend to due to the high riskiness of their clients. Technical Assistance / Capacity building support to partners – many wholesale lending agencies do not do so. Each year SMFEA supports training in an identified field of great need by partners. Synergies between Education and MF which work together to benefit clients
Institutional assessment			
9.1	Efficiency	3	Decentralisation has led to efficiency in decision making and more flexibility Is broadening and developing its product range to be more market responsive. Strong organisational culture and common values enable focus on achieving the objective of Strømme Have reduced the number of partners so that partners are focussed on SMFEA's strategic areas. Non-performing partners have been assisted to reach desired performance levels or removed. Reporting structure and relationships are clear Operations manual in place to guide the implementation of day to day activities <u>Weakness</u> – lack of institutional capacity within applied MF and systems for managing the portfolio.
9.2	Results-measuring	2	Lacks system but is introducing it Is sponsoring training in Performance Monitoring Tool, a tool to measure social impact of MF activities SMFEA is assisting partners to do base line surveys to better measure results.

	Assessment criteria	Rating	Explanation
9.3	Quality assurance	3	Policies for Best practices are in place Operations manual in place. Regular Board meetings happened, e.g. the Board meet four times in 2008
9.4	Coordination with other Norwegian PSD	0	None observed
9.5	Exit strategy	3	The introduction of the bigger institutions to commercial banks for more funding using guarantees will be part of the SMFEA Ltd's exit strategy aimed at not investing a lot of resources in one or few partners and also not to provide undue competition for commercial banks.
9.6	Corruption risk	3	SMFEA requires audits and this has reduced corruption risk. Comprehensive and well managed financial controls and reporting in place
9.7	Programme effectiveness	4	Strong organisational culture, focussed on core strengths (microfinance and education) contributes to effectiveness Commitment to best practice assists in keeping up with changing environments. Policy guidelines for partners are comprehensive and relevant – in line with best practices. Smaller MFIs and SACCOs which are part of SMFEA's portfolio of partners have weak or no governance structures and limited skills,
9.8	Cost-effectiveness	3	High as SMFEA operates with small staff Positive ROE.
Relevance			
10.1	Coherence Norwegian policies	4	The rationale for the Norwegian Assistance to MF is found in Norad's Position Paper on sustainable Microfinance of 2004/2005. This document officially recognizes that MF is an interesting tool for poverty alleviation, and that Norad should actively use the Network of Norwegian NGOs doing MF.
10.2	Coherence Government priorities	5	Stromme's capacity building activities are in alignment with the Uganda National Microfinance Capacity Building Framework and with the Government's Expanded Outreach of Sustainable Microfinance in Uganda, and Government's Prosperity for All Ugandans Plan
10.3	Addressing binding constraints	3	Yes rural poverty
10.4	Relevance for Norwegian business	0	None

	Assessment criteria	Rating	Explanation
Aid issues			
11.1	Untying of aid	5	Yes untied
11.2	Donor coordination	3	Yes through e g CGAP
11.3	Replicability and scaling up opportunities	4	Yes definitely

4. Pride Uganda

	Assessment criteria	Rating	Explanation
	Inputs	X	Norad has been the main financier of Pride Uganda since 1996. During the first few years Austria and EU also provided some support.
	Cost to Norwegian aid	X	A total of MNOK 60, was granted in five separate agreements, the first in 1996 and the last in 2000, this covering a period up to 2004
	Other inputs (leverage)	4	To a larger extent year by year Pride has borrowed funds at market rates from commercial banks and from Strømme
	Outputs	4	Became an MDI in 2004
	Outcome	4	The expected outcomes (2000) were to “give access to credit and other financial services to the poor; 2. develop to a level of attracting and accessing commercial capital for transformation” 1. Pride’s client base grew from 24,319 in 1999 to 68,864 in 2006. The average loan size was in 2005 USD 220 in 2007 USD 367 2. Pride’s expansion since 2004 has entirely been funded through loans on market terms
4	Impacts		
	Overall	4	The development goal in 2000 was “to create a sustainable financial and information network that will increase income and employment of the poor and stimulate business growth in Uganda” The impact on the poor and particularly poor women is hard to measure. But the MF industry has definitely contributed to decrease in poverty and to growth of SMEs
	Policy; regulations	3	Initially Pride as the first major MFI contributed to the MF policies. After 2003 Pride has had to seek exceptions from policy regulations
	Sector institutions	4	Pride was one of the initial members in the MF Forum

Assessment criteria	Rating	Explanation
Enabling environment	3	Pride was one of the first MFIs which operated according to the CGAP 'best practises' in Uganda
FDI from Norway	0	None
FDI general	0	None
Trade Norway	0	None
Trade general and with other developing countries	1	None
Financial systems and capital market	2	Some market distortion from high initial grant funding of Pride, not available to other MFIs
Business organisation	3	Pride has to a reputation for being professional. This has had a positive effect on sector associations.
Employment direct	3	Pride employs 450 people
Employment indirect	3	Yes, substantial through loans to micro and small enterprises
Technology and know how transfer at company level	1	Limited
Sector development	3	Trend that banks are encroaching on the traditional segments of MFIs and MFIs are encroaching on the traditional segments of some banks
Country competitiveness	3	To the degree the development programme adds to country competitiveness internationally
Poverty Impact		
Local/regional socio-economic conditions	4	Pride has strong rural focus
Inclusion of marginalised groups	5	Pride – in 2005-6 over 90% of borrowers were group borrowers (i.e. poor)
Addressing regional imbalances	4	Strong focus on rural areas
Macro effects	3	See above
Cross-cutting issues		
Environment	1	Limited effect
Health and Safety	1	Limited effect

Assessment criteria	Rating	Explanation
Labour conditions	4	Pride has built long term relation with customers and has therefore created job security
Gender	3	45 % of Pride's clients are women (low for an MFI)
HIV/AIDS	2	In group meetings HIV/AIDS issues are raised
Sustainability	3	Commercial sustainability good. Ownership structure however unclear. McroRate International rated Pride B+ "Moderate level of credit and financial risk. Very good asset quality and increasing efficiency"
Additionality	5	Pride was one of the first MFI working on commercial principles and was one of four MFIs that got a MDI (tier 3) status in 2004
Institutional assessment		
Efficiency	3	See Microrate's independent assessment above Pride reached breakeven point and became operationally self sustaining in 2001 and remains so. Pride's PAR (portfolio at risk ratio) has fluctuated considerably 1999-2007 between 0.2% to 4%.
Results-measuring	4	Pride was appraised in 1998 by Norad. And in 2004 and 2007. It submitted itself to rating by Microrating International in 2007
Quality assurance	3	Pride turned down offers of TA for the transformation process. This may have contributed to the obstacles that resulted in its transformation. The support to Pride has resulted in some market distortions. This support is not in line with current best practice thinking. By being passive after 2003 when ownership problems arose, Norad has not assured the long term "quality" of Pride
Coordination with other Norwegian PSD programmes	0	N.a.
Exit strategy	2	The exit strategy was not robust enough. Risks of transformation were not anticipated and when transformation problems arose Norad was absent
Corruption risk	0 - Previous stakeholders 4 - Risk mitigation by GoU and Norway	The main stakeholders of the NGO Pride tried to privatise for themselves the stock of the newly established Pride Uganda. This was stopped by Bank of Uganda (and Norway) and ownership returned to GoU Norway was using the principles of a traditional donor approach, when what was needed was a corporate / commercial approach to a business issue (not a donor / recipient issue)
Programme effectiveness	3	Score would have been 5 if transformation issues had been handled differently

Assessment criteria	Rating	Explanation
Cost-effectiveness	3	Prides operating efficiency levels (at 46% in 2006) is 1 below industry standards and this appears to be due to excessive operating costs
Relevance		
Coherence Norwegian policies	4	Specifically 1998 PSD Strategy and country policy/ strategy over last 10-15 years
Coherence Government priorities	5	Fully in line
Addressing binding constraints	5	Access to finance a binding constraint addressed by Pride
Relevance for Norwegian business	0	None
Aid issues		
Untying of aid	5	Untied
Donor coordination	4	During Norad's active period with Pride (up to 2003) high degree of coordination
Replicability and scaling up opportunities	4	The 2007 End Review provides a number of lessons to be learnt by Norwegian aid authorities. If learning is done, then replicability is high. No need to scale up support to Pride (except for TA on ownership)

5. Uganda Microfinance Limited

	Assessment criteria	Rating	Explanation
1.1	Inputs	X	Uganda Microfinance Union was created 1997 as a research project by Bank of Uganda. It received early support from Novib (Oxfam) and Presto (USAID) totalling USD700,000 and a loan of 40 million Uganda Shilling (MUGX) from Bank of Uganda (USD 35 000). The transformation to a MDI in 2003 was facilitated by TA from the United Kingdom (USD 200,000), and EU (USD 35.000). Aureos and Norfund took up equity in the newly-formed UML in 2004 and exited in 2008
1.2	Cost to Norwegian aid	X	Strømme gave a USD 100,000 at favourable 5% rate (Banks were charging 24% - 25% at the time). Aureos and Norfund invested USD 960,000 in convertible loans. In 2006 USD 516,523 of the Norfund loan was converted into preference shares and USD 120,000 into ordinary A shares while the remainder of the original loan was repaid. And Aureos did the same thing. Equity Bank (Kenya) bought 100 % of UML (paid for by shares) which gave Norfund/Aureos a very handsome profit. The shares are being sold by Aureos/ Norfund through the Nairobi stock exchange. Norfund had by April 2009 sold 37 % of its equity and had for that received 2,5 times of the value of the initial investment. Values realised through sales of the remainder will add to the profitability
1.3	Other inputs (leverage)	4	To a large extent UML has borrowed funds at market rates from commercial banks and from Strømme
2	Outputs	5	The main outcomes have been that UML has become licensed as a tier 1 commercial bank (Equity Bank Uganda) wholly owned by Equity Bank (Kenya) and the profits made by Norfund and Aureos at exit
3	Outcome	5	The total assets had grown from 34 billion Uganda shillings (UGX) 2003 to 55 billion UGX in 2007 while the loan portfolio has grown from 19 million UGX to more than 40 billion UGX. The profitability has been good but below the results expected at entry
4	Impacts		
4.0	General	4	No development targets were established at Norfund's entry. The impact on poverty is hard to measure. But the MF industry has definitely contributed to a decrease in poverty

	Assessment criteria	Rating	Explanation
4.1	Policy; regulations	5	Aureos and Norfund assisted greatly former UML to become a tier 3 MDI. Negotiations with Accion Investment and Shorecap, both of US, got stalled for almost three years because these potential investors and early supporters of UML and the management could not agree on the valuation of the NGO (net worth and the extent of the management/founders) future equity position in UML. Aureos with the support of Norfund did propose the winning formula and the American investors withdrew.
4.2	Sector institutions	4	UML was one of the initial members of the MF Forum
4.3	Enabling environment		UML was one of the first MFIs which operated according to the CGAP 'best practises'
4.4	FDI from Norway	3	It is questionable whether Norfund should be consider as a FDI investor
4.5	FDI general	0	None
4.6	Trade Norway	0	None
4.7	Trade general and with other developing countries	2	The collaboration with Equity Bank Kenya may lead to some trades regionally
4.8	Financial systems and capital market	4	Aureos/Norfund have moved UML from a tier 4 to a tier 3 institution and then from tier 3 to tier 1. Participation in Kenyan capital market development with possible cross exchanges with Uganda
4.9	Business organisation	3	UML is professional and this has had a positive effect on sector associations
4.10	Employment direct	?	
4.11	Employment indirect	2	Yes substantial through loans to micro and small enterprises
4.12	Technology and know how transfer at company level	2	The introduction of a new MIS was a challenge to UML which they mastered
4.13	Sector development	3	Has transformed from a NGO to a company and been bought by a bank. Has been a success story in its transformation processes and is a good example to the industry in what it has accomplished. This has certainly brought new ideas into the sector
4.14	Country competitiveness	3	Yes, in terms of attracting regional and international investors though operating a well run MFI

	Assessment criteria	Rating	Explanation
Poverty Impact			
5.1	Local/regional socio-economic conditions	4	Yes, focus is on peri-urban and rural areas. Microfinance focuses on the poor.
5.2	Inclusion of marginalised groups	4	Women and people in rural areas are specifically targeted. The poor are also specifically targeted in MF groups
5.3	Addressing regional imbalances	3	Yes, it has been focussed on rural and per-urban areas.
5.3	Macro effects	3	Relatively limited given the size of Uganda's population and the reach of UMU's/UML's clients
Cross-cutting issues			
6.1	Environment	1	Limited effect
6.2	Health and Safety	2	UMU has a clear interest in its staff and in creating a work environment that is conducive and safe for its staff. Limited for clients
6.3	Labour conditions	3	UMU has built long term relations with clients and has therefore created job security
6.4	Gender	3	Clients in groups were required to comprise 50% women
6.5	HIV/AIDS	2	In group meetings HIV/AIDS issues are raised
7	Sustainability	5	Sound and experience management meant the operation was well run. It was operated by the two founders who were passionate about the business and worked hard to make it succeed. Both held relevant qualifications for the work. Successful track record is proof of its sustainability.
8	Additionality	4	Probably would have happened without assistance but assistance brought access to professional skills and expertise that speeded up the process. UML is the first institution that has moved from tier 3 to tier 1 UML offered loans to employed people that fell in between the banks as they were too poor and MFIs as they were too rich. Also offered death and disability insurance
Institutional assessment			
9.1	Efficiency	4	PAR increased from 0.4% in 2000 to 4.2% in 2004, indicating decreasing efficiency in this area, although within acceptable industry limits. PAR thereafter not known but must be low as the equity price has been so high Staff were well trained, e.g. on the job training, induction training

	Assessment criteria	Rating	Explanation
9.2	Results-measuring	3	Norfund requested monitoring and evaluation on development impact indicators from UML Move to UML (MDI company) meant increased reporting due to statutory requirements.
9.3	Quality assurance	4	Industry best practices were used. Success indicates good quality assurance Link with Norfund/Aureos through funding enhanced professionalism of the business. “ Pushed us out of our NGO cocoon”, “new energy”
9.4	Coordination with other Norwegian PSD programmes	0	None
9.5	Exit strategy	5	There was a very successful exit strategy for the Norfund investment through Aureos. Exit after 3 years. Already in 2004 Norfund considered the exit possibilities through a merger with a Kenyan institution
9.6	Corruption risk	1	UML and UML were both well run, with strong Boards and Management with a keen interest in the operations. Move to company limited by shares increased accountability and reporting standards. Link with Norfund/Aureos through funding enhanced CSR as this is a component of Norfund/Aureos approach
9.7	Programme effectiveness	4	Strong organisational culture, focussed on core strengths (microfinance and education) contributes to effectiveness Commitment to best practice assists in keeping up with changing environments. UML was highly profitable. Strong income and balance sheets. Well articulated strategy, well implemented, risk management and controls which worked, and sound financial controls, and financial flexibility. UML was weak on being successful at deposit taking. Merger with Equity brought this skill on board. This enabled cheaper money to be available for loans. They also brought banking license and MIS
9.8	Cost-effectiveness	5	So much value was made to the institution during the period 2004 - 2008 so the aid/investment was highly cost-effective
Relevance			
10.1	Coherence Norwegian policies	5	Specifically 1998 PSD Strategy and country policy/strategy over last 10-15 years Strong on poverty alleviation aspect
10.2	Coherence Government priorities	5	GoU prioritise MF sector. Is focussed on employment generation in the micro and small sectors, focuses on rural areas which are all GoU priorities

	Assessment criteria	Rating	Explanation
10.3	Addressing binding constraints	5	Access to finance is a binding constraint addressed by UML/Equity
10.4	Relevance for Norwegian business	0	None
Aid issues			
11.1	Untying of aid	5	Untied
11.2	Donor coordination	2	Aureos and Norfund collaborated well during entry and exit. But Norfund complains that reporting from Aureos in between was not satisfactory. Fairly good donor coordination in UML and UML case
11.3	Replicability and scaling up opportunities	4	Certain aspects of the process definitely yes

6. DFCU/ABACUS

	Assessment criteria	Rating	Explanation
	Inputs	X	A loan from Norfund of 3 MUSD, to which is added a contribution by DFCU of 3 MUSD and a grant from Norad of 6,8 MNOK
	Cost to Norwegian aid	X	The Norfund loan is commercial and includes no grant element. The total aid cost is the Norad contribution of 6,8 MNOK
	Other inputs (leverage)	3	Norfund/DFCU finance Abacus 50/50
	Outputs	1	An unspecified number of loans to SMEs in the missing middle segment (too large for microfinance, too small for bank corporate lending)
	Outcome	1	The objective “to deepen the financial sector and its ability to focus on the SME segment” has not been reached
Impacts			
	Policy; regulations	0	None
	Sector institutions	1	Has had almost no impact as far as the policies of DFCU are concerned and no wider sector impact
	Enabling environment	1	Ditto
	FDI from Norway	1	No impact envisaged or achieved
	FDI general	1	It is unknown whether any Abacus borrower has received any FDI. But it is unlikely
	Trade Norway	1	No impact envisaged or achieved

Assessment criteria	Rating	Explanation
Trade general and with other developing countries	1	The client CK&K imports substantial quantities of alcoholic beverages, beer and soft drinks (but this can hardly be assessed as a positive effect!)
Financial systems and capital market	1	This was the target outcome (see above) but has not been achieved
Business organisation	1	No impact envisaged or achieved
Employment direct	3	317 employees in 8 companies (average 40 jobs), of which 284 in one company. With an average loan size of USD 153000 39 companies will be served which may create 1500 jobs
Employment indirect	2	Not known
Technology and know how transfer at company level	1	The two companies visited included no technology transfer
Sector development	1	See above
Country competitiveness	1	Very limited effect
Poverty Impact		
Local/regional socio-economic conditions	2	The employment effects might lead to poverty impact
Inclusion of marginalised groups	1	Not targeted
Addressing regional imbalances	1	Not targeted
Macro effects	1	very limited
Cross-cutting issues		
Environment	3	DFCU claims that it aligns its policies to those of IFC and FMO
Health and Safety	3	DFCU has an ambitious CRS policy which included cooperation with WaterAid to provide safe water
Labour conditions	1	Not tracked by DFCU.
Gender	2	Has taken on a female friendly policy within the bank. Does not monitor gender with clients
Sustainability	1	The Abacus scheme is flawed and has therefore
Additionality	3	The scheme has additionality in its innovative design and its collaboration between Norfund and Norad

Assessment criteria	Rating	Explanation
Institutional assessment		
Efficiency	2	It is questioned whether DFCU knows and has accepted the goals to make small loans to reach the missing middle
Results-measuring	1	No effort has been made by Norfund to measure results and to report them according to the Norfund-Norad agreement
Quality assurance	1	No quality assurance made
Coordination with other Norwegian PSD programmes	1	The ambition has been to have a close coordination between Norfund and Norad. So far no coordination has taken place in the implementation phase (except the meeting organised by a Devfin evaluator!)
Exit strategy	4	As this is a five year loan exit should be there then However one loan (to Owen Falls Luxury Resort visited by a Devfin's evaluator) is in default and will cause loan losses
Corruption risk	1	Should be monitored by the DFCU board in which Norfund has a representative
Programme effectiveness	1	Very low effectiveness for the reasons stated earlier and in the main text of the Uganda case study
Cost-effectiveness	3	May be reasonably good
Relevance		
Coherence Norwegian policies	3	Relatively good
Coherence Government priorities	4	The SME sector is given high priority
Addressing binding constraints	3	Access to finance particularly as regards the missing middle is a binding constraint.. However results impaired by flawed design
Relevance for Norwegian business	1	Hardly any relevance
Aid issues		
Untying of aid	5	Untied
Donor coordination	2	The support to DFCU coordinated with CDC (Actis) and FMO. Coordination Norfund/Norad has not taken place as envisaged
Replicability and scaling up opportunities	2	The whole idea with Abacus was that it should be replicable in other LDC. However, the flawed design has led to low replicability

The assessment above may be compared by the below assessment by Norfund appended to the Final Approval of the Abacus scheme on 5 September, 2009.

Criteria	Description	Comment	Score
Alignment with strategic goals	LDC, Cooperation country, Norwegian partner, MDGs	LDC, cooperation country, SME	5
Additionality	The extent of additionality of Norfund financing	Investment will go to loans and leases to SMEs	4
Catalytic role	The extent of mobilisation of additional funds	Frees up capital and liquidity within DFCU for additional loans and leases	5
Norfund role and contribution	Management, governance, sector competence, etc	ABACUS will have defined lending guidelines for our funds	5
Sum, Strategic role			5
Business idea and potential	Is the plan and potential good	DFCU is a successful financial institution and many DFI/Donors have lending programs with this institution. As a pilot there is some risk	4
Market and industry returns	Market and industry evaluation	With local currency and a pilot scheme returns will likely be average at best	3
Investment return and pricing	Does the investment bring minimum expected returns	high risk in local lending with some risk protection envisioned from NORAD	3
Sum, Potential and profitability			3
Ownership/Capital structure	Do this have acceptable structure	One dominant owner, where Norfund has an aligned strategy	4
Deal structure and exit strategy	Is it a sound deal structure and is exit strategy in place	Co-financings in the form of debt	5
Sum, Ownership and deal structure			4
Environmental issues	Key issues identified including Health and safety	DFCU is revamping and aligning with IFC and FMO policies. Need to rollout to clients	4
Social issues	Banks will need to maintain strong reporting and be regulated	As above, significant advances on HIV/Aids issues and female friendly policy within the bank. Need to rollout to clients	4
Business integrity issues	Institutions may be regulated, listed, etc	DFCU is listed on USE and in part regulated by Bank of Uganda	4

Criteria	Description	Comment	Score
Sum, SHE and Business integrity			4
Start-up/expansion/ MBO financing/other financing	Other financing	DFCU finances expansions largely	4
Partner and management	Sound management and corporate governance	DFCU is a financial institution with strong, professional management and a qualified board of directors	5
Market risk	Risk of failure	ABACUS is unchartered territory and the risks, while largely mitigated, are still quite high	3
Sum Project risk			4
TOTAL EVALUATION			4

7. FK Norway

Assessment criteria	Rating	Explanation
Inputs	X	Travel, accommodation and administration of personnel exchanges between organisations
Cost to Norwegian aid	X	In three Ugandan projects (Norplan, Green Resources and Stromme, about NOK 3,5 million 2002-2010)
Other inputs	1	100% cost coverage by FK Norway (except in some cases topping up of salaries)
Outputs	2	Visits by some 4 persons North-South, 2 South-North, 24 South-South over 10 months to partner organisations
Outcome	3	Enhanced institutional capacity and personal experience
Impacts		
Policy; regulations	0	None
Sector Institutions	1	Exchanges with Sri Lanka, Ethiopia and Mali
Enabling environment	0	No evidence
FDI from Norway	0	Not an objective, no impact
FDI general	0	No evidence (Green Resources already in place)
Trade Norway	1	None
Trade general and with other developing countries	1	Possibly indirectly in Green Resources; also a potential outcome for Norplan

Assessment criteria	Rating	Explanation
Financial systems and capital market	3	The objective of SF projects to enhance capacity in microfinance: potential long-term impact on the sector.
Business organisations	1	Possible Norplan effect
Employment direct	0	No such evidence
Employment indirect	NA	SF microfinance operations have as an objective to enhance (self) employment through microfinance at user level. Not possible to attribute this to the project
Technology and know how transfer at company level	3	Main objective and clearly achieved
Sector development	NA	Potential in micro finance and eco tourism, but attribution difficult to determine
Ugandan competitiveness	2	A possible result of capacity building in Green Resources and through Norplan, however too marginal to have substantial macro effects
Poverty impact		
Local/regional socio-economic conditions	NA	Enhanced capacity in SF micro finance could have effect. However, attribution problem significant
Inclusion of marginalised groups	3	SF aimed at these groups: enhanced capacity in micro finance, including ability to measure results, will have an impact.
Addressing regional imbalances	3	Green Resources has on project in Northern Uganda, MFIs supported by SF all over the country
Macro effects	1	Possibly through Norplan.
Cross-cutting issues		
Environment	3	Green Resources substantial effects, Norplan possible effects. Impact of the activities financed from micro credits largely unknown.
Health and Safety, CSR	NA	Potential issue in micro finance and not attributed to the FK projects
Labour conditions	NA	Potential issue in micro finance but not attributed to the FK projects
Gender	2	Indirectly positive, especially SF
Sustainability	3	Green resources and SF micro finance sustainable; Norplan possible; FK projects adds as capacity is enhanced
Additionality	3	Green Resources and SF high, Norplan nil

Assessment criteria	Rating	Explanation
Institutional assessment		
Efficiency	4	FK Norway a smoothly operating organisation with streamlined procedures and a standardised 'product'
Results-measuring	4	Systems in place through reporting at organisational level
Quality assurance	NA	
Coordination with other Norwegian PSD programmes	1	Projects taking place in organisations with ample support from other sources, but no apparent assessment or coordination with this
Exit strategy	3	Exit after maximum 5 rounds
Corruption risk	4	Good systems for auditing in place
Programme effectiveness	3	Projects achieving the qualitatively stated objectives
Cost-effectiveness	2	Reasonable
Relevance		
Coherence Norwegian policies	3	As FK Norway is made into a separate window for Norwegian development assistance with a stated objective, the organisation's work is relevant
Coherence Government priorities	0	Not an explicit policy
Addressing binding constraints	1	Only indirectly by supporting a foreign invest and micro credit issues
Relevance for Norwegian business	4	High for Norplan and Green Resources
Aid issues		
Untying of aid	1	One of three projects not linked to Norwegian interests
Donor coordination	0	Not evident

Annex 5:

Terms of Reference for the Evaluation

1 Purpose

There have been a number of reviews, studies and also appraisals of different elements of the Norwegian assistance to business sector developments during the last 10-15 years, but no evaluation of the results, the performance and interplay of the main actors or the different policy instruments. This evaluation has therefore three purposes;

- to document and assess past results and performance,
- to analyze the potential for improving Norwegian assistance in the future and preconditions for successful assistance in former and new partner countries, and
- to give recommendations on future policy and guidelines.

The main purposes are to:

- Provide information about the results of Norwegian business sector assistance both at the *project/programme level* and at the *policy instrument level*, and assess the performance of the main actors involved and their interactions as perceived also by the users.
- Outline lessons that can be used in design and implementation of future result-oriented programmes and projects in partner countries.

The main users of the evaluation results will be the Norwegian policy makers in the Ministry of Foreign Affairs (MFA) and the eight other public institutions⁸¹ that are involved in developing and implementing business related assistance. The reports will also be useful to partner countries and other stakeholders, including non-governmental organizations (NGOs), private companies and consultants in Norway and their counterparts in the South. The findings should also be of value for different beneficiaries including individuals, households, communities, and relevant local and national Business Sector actors that benefit directly or indirectly from the interventions.

The first results should be ready early autumn 2009 and the final report delivered in spring 2010.

⁸¹ The active public institutions include Ministry of Foreign Affairs (MFA), Ministry of Trade and Industry, the Norwegian embassies, the Norwegian Agency for Development Cooperation (Norad), the Norwegian Investment Fund for Developing Countries (Norfund) and its Information Office for Private Sector Development, Innovation Norway, GlEK (the Norwegian Export Credit Agency) and FK Norway (Fredskorpset).

2 Background

The first formal guidelines for implementation of Norwegian assistance to private businesses who wanted to invest in the South were formulated by Norad in 1978-79⁸². Later these guidelines were supplemented by a Private Sector Development (NIS) ⁸³ strategy document published by Ministry of Foreign Affairs in 1999. The main focus of this strategy document is on bilateral assistance at national level. Since the publishing of the strategy more than 5.5 billion NOK has been used on direct and indirect business assistance worldwide. Nearly 50% of this assistance has been channeled through the Norwegian Investment Fund for Developing Countries (Norfund). In addition nearly 700 other institutions, companies and persons have been partners directly in disbursement of assistance. This is in addition to the nine main public institutions in Norway that have been involved in the administration of the assistance. Altogether, Norway has since 1978-79 assisted a number of projects in more than 80 countries.

Norwegian assistance and trade with partner countries in the south has been a subject of public debate at various occasions. A report delivered in 2008 by a public committee established by the Ministry of Foreign Affairs (MFA) examined Norwegian investments and trade as two of its main themes. The report documented differing view-points among the policy makers and stakeholders concerning the analysis of the current situation, as well as on the way forward⁸⁴. A key recommendation of the report was the development of a Fund for investments in the South, with 10 billion NOK as the starting capital. The last budget Proposition to the Storting (No. 1 2008-2009) emphasizes an increase in level of Norwegian investments in partner countries in the South, and especially in the Low Income Countries south of Sahara. The new white paper presented in February 2009 argues also for the need for strategic public partnership with private business sector, to leverage private investments. The conditions for private investments will, however, vary substantially among partner countries, and Norwegian policy will be adapted accordingly.

3 The Evaluation Process, Involvement of Stakeholders and Confidentiality

The evaluation will be conducted in three phases:

- the preparation phase, including dialog on Terms of Reference (ToR), an international tender process and contracting of a team of independent consultants,
- the implementation phase when the evaluation team conducts the evaluation according to ToR, with the production of an inception report clarifying the work plan, a draft final report and the final report
- the follow-up phase, disseminating and discussing the findings with the stakeholders and giving advice to the Ministry for Foreign Affairs on policy change and how management should respond.

The planning and organizing is undertaken by Norad's evaluation department (EVAL). Consultations with relevant Norwegian institutions and other stakeholders will ensure relevance of the Terms of Reference (ToR), the tender process and

⁸² However, prior to this The Norwegian Parliament already in 1963 had approved a number of measures related assistance to business sector development in developing countries.

⁸³ Næringsutvikling i sør (MFA 1999) or Business development in the south

⁸⁴ NOU 2008:14. Samstemt for utvikling

criteria for selecting the evaluation team. Stakeholders will be invited to give their comments before the inception report is approved.

The draft final report will be sent by EVAL to partner countries representatives, the involved Norwegian embassies and other involved stakeholders, giving them the opportunity to comment on the findings, conclusions, recommendations and lessons learned which are presented in the draft report. DACs quality standard for evaluations require that the final evaluation report reflects and assess such comments, and acknowledge any substantive disagreements. The stakeholders will also be invited to participate during the follow-up phase in discussions about the conclusions and recommendations in the final report.

An evaluation team, independent of the stakeholders and EVAL, will be selected after an international tender process and is responsible for the findings, assessments, conclusions and recommendations in their reports. EVAL has the professional responsibility for the evaluation process and choice of consultants. EVAL is also responsible for its independent advice to the Norwegian Minister for international development on policy change and management response.

Confidential information about individual business enterprises will NOT be disclosed in draft and final reports or in other recognisable ways. To secure strict confidentiality sensitive information about enterprises will be published only on aggregate level combining statistical data or other forms of information for no less than 3 different enterprises. The design of this evaluation is therefore based on choosing at least 3 enterprises of the same type for analytical purposes which makes it possible to protect business-information.

4 Objective and Scope

The main objective of the analysis is to evaluate the results on output, outcome and impact level of the Norwegian assistance to the Business sector in the partner countries, both managed directly through Norwegian channels and by different partners abroad.

The focus will be on the on following two objectives;

1. Document and assess to what extent Norwegian and partners assistance to Business Sector at **project level** has produced:
 - The anticipated or planned results for the partner countries, institutions, businesses, local communities and/or households,
 - Identify unplanned positive or negative results for the involved stakeholders,
 - Identify reasons for why interventions have been successful or not.
2. Document and assess the main Norwegian policy instruments used after the Private Sector Development (NIS) of 1999 was established according to DACs usual criteria, with emphasis on assessments of:
 - the planning, designing, implementation and the follow-up phase of assistance used normally by Norwegian assistance agencies, but also requirements by the application based activities of Norad and investment initiatives managed by Norfund and partners.
 - the cost-effectiveness of selected key policy instruments

Business sector development is often a term which includes private sector enterprises and those public sector enterprises that operate under market conditions. This evaluation will cover private enterprises, Norwegian public enterprises or institutions who are involved in businesses in the South and public/private institutions in partner countries that assist or regulate activities in the private sector. The Norwegian assistance includes both donations and investments based on commercial terms after negotiations which have to be assessed accordingly. The evaluation will not cover mixed credit instruments.

The focus is on *direct assistance* in the form of investments in enterprises, improvements in frameworks and the building of public institutions that assist development and regulations of private sector. *Indirect assistance* will also be covered through a few selected examples from prioritized sector elements as infrastructure projects related to energy, telecommunication and finance, but also from management of renewable resources and travel/tourism⁸⁵.

The evaluation is limited to assistance at bilateral level and covers only interventions where Norway alone or in cooperation with other donors have planned or implemented interventions, pooled assistance included. Assistance through multilateral organizations is not included.

The projects assessed in this evaluation shall cover both the support provided directly by MFA, the embassies, Norad, Innovation Norway and Fredskorpset, but also the investments of the Norwegian Investment Fund for Developing Countries (NORFUND), including Norfunds investments through funds managed by Aureos Capital and their regional/local partners in the South. A few projects organised by NHO and a key NGO will also be included.

The scope of the evaluation shall cover the assistance following the adoption of the Norwegian action plan for private sector development in 1999. However, to capture the long term impacts of assistance, the evaluation shall also include a sample of projects started before or during 1990-1999. The reason for this broader time frame is that results of Norwegian input most often will manifest itself long after the assistance takes place, meaning there is a considerable time-lag between input and results. It is therefore important that the evaluation not only covers projects and programmes that have been implemented more recently.

This scoping is based on a preliminary statistical study of the main elements of Norwegian business related assistance which clarifies the evaluation object in general, and a “background paper” that refers to the main “programme theories” behind earlier policies and strategies, in addition to some of the knowledge base documented internationally. Appendix A-5 includes the background paper and some key statistical information.

⁸⁵ These sector elements have priority in the very recent white paper to the Norwegian Parliament (Stortingsmelding nr. 13: 2008-2009)

5 The Evaluation Questions

Assessments of Results

- i. What have been the results at local, national and regional levels of Norwegian project assistance for the partner country, its business sector, institutions, enterprises, and when applicable to local communities and households?

Results here refer to direct or indirect, positive or negative, intended or unintended **changes** in legal or regulatory frameworks for the business sector, institutional competence and capacity development, creation of employment and income (including tax revenues, export earnings, import savings and incomes among households), creation of local business opportunities and infrastructure, changes in enterprise profitability, corporate governance and labor working conditions, transfer of technology, know how and also standards (administrative, economical or social). Of particular relevance is a documentation of the distribution impacts of these changes across stakeholders and beneficiaries. The impacts on women, particular in terms of work and income, should be identified and assessed. Similarly effects on the environment should be taken in to account, when relevant and possible.

- ii. Provide an assessment of the project level results, and outline the reasons for success or failures.

The assessments shall be based on well defined objective indicators that are common for the comparable interventions. The result indicators used for assessments and comparisons shall be common for different types of businesses, as between small and large businesses or institutions. If they differ, for example because of different guidelines for Norwegian donations and commercial investments, or different contexts and regulatory frameworks in partner countries, that should be explained in the final report. Assistance that has been influenced by internal conflicts or war should especially be identified and such contextual challenges clarified.

The assessments shall identify the result chains for long-term effects. When relevant the assessment of the assistance to individual companies should cover the full period from the grants for pre-studies to possible investments and business operations, and in particular identify the risk management strategies used in the different stages of the project⁸⁶.

Changes that take place over time is often be related to other external factors than conflicts/war. The evaluation team shall analyze how these external factors or processes have influenced the results. Included herein are the changes in partner countries' policies and institutional arrangements, privatization policies, interventions by other Donors, changes in the market conditions, and access to inputs such as energy and credit.

The evaluation shall identify how the performance and interactions of the different Norwegian public institutions and their partners in the value chain, including private

⁸⁶ Assistance to enterprises may start after the planning process and be based on "un-normal" risk criteria as the enterprises have to assess the whole risks themselves.

commercial and not-for-profit organizations, have influenced the results. The perception among private sector users of the services delivered by different public actors should be a key indicator. In addition, the evaluation shall assess the quality and effectiveness of the monitoring and reporting routines of the involved public actors and, when relevant⁸⁷, how threats or risks have been handled by the responsible units. The response of Norwegian public actors to weaknesses and recommendations in mid-term project reviews, progress reports or other documents are of special interest in this context.

Assessments of instruments and the performance of actors

The evaluation shall focus on the following two instruments in Norwegian assistance to the Business sector development:

- Financial support provisions directly to enterprises and institutions, with focus on Norads provisions including the Match-Making Programmes (MMPs)⁸⁸
- The Norwegian Investment Fund for Developing Countries (NORFUND), including investments in financial institutions and funds managed by others, in particular by Aureos Capital.

The evaluation shall provide a mapping of how these types of instruments have been used from 1999 onwards, how the actors have been involved and what their contributions to results in different contexts have been. The mapping will identify the main public and private, commercial and not-for-profit Norwegian actors and their partners involved in assistance or investments through these instruments. For Norfund it will also provide an overview of their investments in financial institutions and through Funds, including key fund managers in the South, and Norfund's assistance in capacity and competence building with focus on Africa.

Key evaluation questions are:

- What has been the performance of the financial support provisions, the match-making programmes and other forms of direct assistance as instruments to promote the efforts of the small and medium size Norwegian businesses who have been involved in trade (not including export from Norway) or have undertaken direct or indirect foreign investment in the Norwegian partner countries in the South?

The evaluation should give a clear description of the instruments and the interventions by the involved actors in selected four case countries and regions. This description should include the objectives and content, volume of resources, the time pattern, influence area, partners and cooperation with other donors and relationships to other relevant interventions taking place in the same geographical area.

- What has been the performance of the direct and indirect portfolio investments of Norfund, Aureos Capital and their partners, including the performance of investments made through regional or local funds and financial institutions?

⁸⁷ Risk assessments, mid-term reviews and normal reporting are not relevant for many short term financial support provisions managed by Norad. Investment assessments by Norfund and partners have also different requirements.

⁸⁸ As support for feasibility studies, provisions for loans and guarantees, support for investment in basic infrastructure, training and marketing efforts

The emphasis shall be on Norfund's and Aureos funding of direct and indirect investments in Africa south of Sahara. The evaluation shall track the channeling of funds through the different involved partners to document the performance in terms of the different actors. A limited number of partner funds and investments will be selected for fact-finding regarding resource use and results. The evaluation shall also identify factors and forces which have influenced the design and implementation of the investments and capacity building efforts, and assess especially the quality of the Monitoring and Reporting routines for such actions.

6 Methodological Comments

The quality standard and evaluation criteria

The evaluation will be conducted in accordance with the mandate of the Evaluation Department and follow the norms and quality standards laid down in OECD/DACs evaluation guidelines⁸⁹. The assessments will cover all of the internationally adopted DACs criteria of Relevance, Effectiveness, Efficiency, Impacts and Sustainability, as appropriated:

- Relevance then refers to the extent to which the selected projects, programmes or policy instruments were consistent with the Norwegian priorities and guidelines, and the needs and requirements of the beneficiary countries. These assessments should be based on the requirements that were relevant when projects/programmes was planned or implemented, not what has been required later on.
- Effectiveness refers to the extent to which the selected interventions have attained (or are likely to attain) their objectives, taking into account major factors influencing the achievement or non-achievement of the objectives
- Efficiency will measure the benefits/outputs or outcomes in relation to the resources/inputs. The expected benefits/costs in appraisals (ex ante) or project documents should be compared with the observed realities ex-post.
- Impacts refers here to long-term benefits or negative effects, intended or unintended
- Sustainability is the degree of or likelihood of continued long-term benefits of interventions and the resilience to risks after the intervention is undertaken.

The methodological design

Norwegian Business sector cooperation programmes have been a subject of reviews and evaluations in a number of earlier reports and studies. The evaluation will avoid duplication of work, and the discussion of the previous evaluations will be limited to a brief comparative overview of the main finding of the earlier studies. This evaluation shall draw on the previous work where relevant, and primary data collected in the evaluation shall be quality checked through use of appropriate triangulation strategies. The evaluation will focus on *results* of the assistance and be based on methods developed for measuring results of private sector development⁹⁰. The consultant will reconstruct the *intervention logic* for the main policy instruments used in Norwegian Business assistance in consultations with the stakeholders involved in the policy development.

89 Including the guidelines in DAC Evaluation Quality Standards, March 2006

90 As for example the 2008 report from ITC of the ILO "Measuring and Reporting Results. The Reader on Private Sector Development.

One of the main methodological challenges will be that several interventions are not based on explicit or documented objectives, or a well formulated “programme theory” of how anticipated results will be achieved. Another methodological challenge is how to obtain information from a representative sample of Norwegian interventions which makes it possible to draw general conclusions. The Norwegian business related assistance has covered more than 80 different countries and a very complex mix of interventions in very different contexts. The main alternative strategies for designing the evaluation have therefore been to do a limited number of thorough case studies or a broad more “superficial” study.

The proposed design is a methodological compromise and based on a case study design which covers four of Norway’s partner countries. It will be supplemented by a study at regional level in Africa south of Sahara which focuses on the assistance through Norfund and partners, as Norfund so far has not been broadly involved at country level. New primary data will be collected mainly through field studies in these four countries and on regional level in Africa south of Sahara.

The case country studies

The four partner countries proposed for in-depth case studies are Bangladesh, Sri Lanka, South Africa and Uganda. Norway has been involved for a long period in all of these countries with comprehensive assistance programmes for business sector development. The aid has covered both small and large enterprises in various sectors, direct investments and assistance on the development of policy frameworks and institutions. Sri Lanka and Uganda were identified as key nations early in the implementation phase of the NIS strategy. South Africa has the largest number of Norwegian businesses establishments supported through the Norwegian assistance. This is also a country where the business climate differs from the three other country cases.

6.0.1 Assistance to enterprises

The *Bangladesh case-study* should cover 3 Norwegian investments in the telecom, cement and energy sectors (Grameen Phone & Telenor, Scancem, Solør Treforedling and/or ABB), a microfinance project organised by Strømme Foundation, and 3 smaller projects in jute and other industries selected at the end of the inception phase. The study in Bangladesh should also include one enterprise related project involving Fredskorpset.

The case studies in *Sri Lanka, South Africa and Uganda* are good candidates for assessments of different types of **direct assistance to enterprises**. Case studies in *Sri Lanka and South Africa* are especially relevant for assessments of the financial support provisions and the Match Making Programmes, including the performance of the administration of the MMPs by Innovation Norway and a private company. The evaluation should cover in each of these two countries 3 projects through the Match-Making Programme and 20 projects where enterprises have got financial support for feasibility studies after 1999. 20-30% of the enterprises that got support for feasibility studies have normally follow up with investments. The analysis should follow up the later phases in business developments to clarify if – and why – investments and productions have become a reality or not. It is important to

investigate why actions have taken place or not, and the short and long-term outcome and impacts of investments. The selected enterprise projects should cover the sector elements given priority in the recent White Paper, but also 3 randomly selected projects. Among the selected projects in Sri Lanka will be 3 of 4 projects by Trondheim Energiverk, Hydrogas, Green Farms and ABB. The number of projects to be included and the final selection of projects will be decided at the end of the inception phase when information will be available on how many of the supported feasibility studies have resulted in investments. It is, however, important that the evaluation covers at least 6 investments that have become a reality (3 in each of Sri Lanka and South Africa).

These two studies of enterprises in Sri Lanka and South Africa should be supplemented by studies of the support to 3 enterprises in **Uganda** with focus on agribusinesses (Jambo Roses Ltd, Gilde Norsk Kjøtt and Green Resources). The study of the assistance by Fredskorpset to enterprises should be limited to two projects in each of these three countries.

6.0.2 Institutional capacity building

Case studies in Sri Lanka, South Africa and Uganda makes it also possible to evaluate different types of assistance to business related institutions and commercial association. Norway has given long-term assistance to build capacity in local business and trade associations in Sri Lanka, and especially to a District Chamber of Commerce (in Hambantota). Long-term institutional assistance on national level has also been given in South Africa and Uganda. The later assistance has been channeled through The Norwegian Confederation of Norwegian Enterprises NHO to their partner organizations in these countries. The case study in *Uganda* can in this case draw on the ongoing review of NHO's programme in that country.

The intention is that each country study should include at least three *Norwegian investments and one major project related to institutional capacity building*. The sample of enterprise projects to be covered will emphasise the sectors that have high priority in the recent White Paper. The final selection of projects or programmes will be finally approved by EVAL in the inception phase.

The regional study of investments and capacity building through Norfund and partners

A key issue is the results of Norfund's investments and capacity building efforts, directly or through separate financial institutions and private equity funds managed by others. The evaluation of Norfund will especially include the activities of funds managed by Aureos Capital. It will follow the resources from Norfund through Aureos-managed funds and other financial institutions to the underlying enterprises, and assess the results of a sample of their investments with focus on funds, institutions and investments in Africa south of Sahara. The evaluation should assess the results of Norfund not only by the goals given in recent budget or programme documents, but by aggregated result data from a sample of individual investments during the last 5-10 years. The assessments will be according to DACs criteria, with emphasis on value creation, development impact and cost-efficiency. Potential catalytic effects of actions together with sister organizations should also

be clarified, but with fact-finding limited to cooperation in Africa south of Sahara. The sample of financial institutions and regional/local private equity funds will cover investment activities and capacity building especially in Uganda, but also on regional level. The final sample will be decided at the end of the inception phase after an assessment of the evaluation team. When relevant the results from the evaluation of Norfund should be compared with the case country studies, looking for general patterns or dissimilarities in the results and the quality of Norwegian assistance.

7 Evaluation team and tender process

The tender process will be international and in accordance with EU rules. The main competition criteria will be the quality of team, the design and methods proposed, the quality assurance system, availability of team members and price as specified in the tender document.

All members of the evaluation team are expected to have relevant academic qualifications and evaluation experience. In addition, the evaluation team shall cover the following competencies.

Competence	Team Leader	At least one member
Academic	Higher relevant degree.	
Discipline	Relevant disciplines	Economics, investment analysis
Evaluation	Leading multi disciplinary evaluations	Impact assessment methods, institutional assessment
Sector	Private sector finance	Energy, private equity management, renewable resources/agrobusiness, infrastructure,
Development Cooperation	Yes	Yes
Country/region	Developing countries	Southern Africa, South Asia
Language fluency		
English	Written, Reading, Spoken	
Norwegian		Reading, Spoken

The evaluation team should as far as possible, include both international and experienced local consultants from the South.

8 Budget and deliverables

The project is **budgeted** with a maximum input of 60 **person-weeks (5 days & 42 hours)**. The **Deliverables** in the consultancy consist of following outputs:

- Work-in-progress reporting **workshops** (maximum 2) in Oslo, arranged by the EVAL on need basis.

- **Inception Report** not exceeding 30 pages shall be prepared in accordance with EVAL's guidelines given in *Annex A-3 Guidelines for Reports*. It will be discussed with the team and the relevant stakeholders before approval by EVAL.
- **Draft Final Report** for feedback from the reference group, stakeholders and EVAL. The feedback will include comments on structure, facts, content, and conclusions.
- **Final Evaluation Report** prepared in accordance with EVAL's guidelines given in *Annex A-3 Guidelines for Report*.
- **Seminar for dissemination** of the final report in Oslo or in the case countries, to be arranged by EVAL. Direct travel-cost related to dissemination in the case countries will be covered separately by EVAL on need basis, and are not to be included in the budget.

All presentations and reports are to be submitted in electronic form in accordance with the deadlines set in the time-schedule specified in the *Tender specification*. EVAL retains the sole rights with respect to all **distribution, dissemination and publication** of the deliverables.

EVALUATION REPORTS

10.97	Review of Norwegian Assistance to IPS		Togheter. Overview Report of the Joint Utstein Study of the Peace-building.
11.97	Evaluation of Norwegian Humanitarian Assistance to the Sudan	2.04	Norwegian Peace-building policies: Lessons Learnt and Challenges Ahead
12.97	Cooperation for Health Development WHO's Support to Programmes at Country Level	3.04	Evaluation of CESAR's activities in the Middle East Funded by Norway
		4.04	Evaluering av ordningen med støtte gjennom paraplyorganisasjoner. Eksempifisert ved støtte til Norsk Misjons Bistandsnemda og Atlas-alliansen
1.98	"Twinning for Development". Institutional Cooperation between Public Institutions in Norway and the South	5.04	Study of the impact of the work of FORUT in Sri Lanka: Building Civil Society
2.98	Institutional Cooperation between Sokoine and Norwegian Agricultural Universities	6.04	Study of the impact of the work of Save the Children Norway in Ethiopia: Building Civil Society
3.98	Development through Institutions? Institutional Development Promoted by Norwegian Private Companies and Consulting Firms		
4.98	Development through Institutions? Institutional Development Promoted by Norwegian Non-Governmental Organisations	1.05	– Study: Study of the impact of the work of FORUT in Sri Lanka and Save the Children Norway in Ethiopia: Building Civil Society
5.98	Development through Institutions? Institutional Development in Norwegian Bilateral Assistance. Synthesis Report	1.05	– Evaluation: Evaluation of the Norad Fellowship Programme
6.98	Managing Good Fortune – Macroeconomic Management and the Role of Aid in Botswana	2.05	– Evaluation: Women Can Do It – an evaluation of the WCDI programme in the Western Balkans
7.98	The World Bank and Poverty in Africa	3.05	Gender and Development – a review of evaluation report 1997–2004
8.98	Evaluation of the Norwegian Program for Indigenous Peoples	4.05	Evaluation of the Framework Agreement between the Government of Norway and the United Nations Environment Programme (UNEP)
9.98	Evaluering av Informasjons støtten til RORGene	5.05	Evaluation of the "Strategy for Women and Gender Equality in Development Cooperation (1997–2005)"
10.98	Strategy for Assistance to Children in Norwegian Development Cooperation		
11.98	Norwegian Assistance to Countries in Conflict	1.06	Inter-Ministerial Cooperation. An Effective Model for Capacity Development?
12.98	Evaluation of the Development Cooperation between Norway and Nicaragua	2.06	Evaluation of Fredskorpset
13.98	UNICEF-komiteen i Norge	1.06	– Synthesis Report: Lessons from Evaluations of Women and Gender Equality in Development Cooperation
14.98	Relief Work in Complex Emergencies		
1.99	WID/Gender Units and the Experience of Gender Mainstreaming in Multilateral Organisations	1.07	Evaluation of the Norwegian Petroleum-Related Assistance
2.99	International Planned Parenthood Federation – Policy and Effectiveness at Country and Regional Levels	1.07	– Synteserapport: Humanitær innsats ved naturkatastrofer: En syntese av evalueringsfunn
3.99	Evaluation of Norwegian Support to Psycho-Social Projects in Bosnia-Herzegovina and the Caucasus	1.07	– Study: The Norwegian International Effort against Female Genital Mutilation
4.99	Evaluation of the Tanzania-Norway Development Cooperation 1994–1997	2.07	Evaluation of Norwegian Power-related Assistance
5.99	Building African Consulting Capacity	2.07	– Study Development Cooperation through Norwegian NGOs in South America
6.99	Aid and Conditionality	3.07	Evaluation of the Effects of the using M-621 Cargo Trucks in Humanitarian Transport Operations
7.99	Policies and Strategies for Poverty Reduction in Norwegian Development Aid	4.07	Evaluation of Norwegian Development Support to Zambia (1991 - 2005)
8.99	Aid Coordination and Aid Effectiveness	5.07	Evaluation of the Development Cooperation to Norwegian NGOs in Guatemala
9.99	Evaluation of the United Nations Capital Development Fund (UNCDF)		
10.99	Evaluation of AWEPA, The Association of European Parliamentarians for Africa, and AEI, The African European Institute	1.08	Evaluation: Evaluation of the Norwegian Emergency Preparedness System (NOREPS)
1.00	Review of Norwegian Health-related Development Cooperation 1988–1997	1.08	Study: The challenge of Assessing Aid Impact: A review of Norwegian Evaluation Practise
2.00	Norwegian Support to the Education Sector. Overview of Policies and Trends 1988–1998	1.08	Synthesis Study: On Best Practise and Innovative Approaches to Capacity Development in Low Income African Countries
3.00	The Project "Training for Peace in Southern Africa"	2.08	Evaluation: Joint Evaluation of the Trust Fund for Environmentally and Socially Sustainable Development (TFESSD)
4.00	En kartlegging av erfaringer med norsk bistand gjennom frivillige organisasjoner 1987–1999	2.08	Synthesis Study: Cash Transfers Contributing to Social Protection: A Synthesis of Evaluation Findings
5.00	Evaluation of the NUFU programme	2.08	Study: Anti- Corruption Approaches. A Literature Review
6.00	Making Government Smaller and More Efficient. The Botswana Case	3.08	Evaluation: Mid-term Evaluation the EEA Grants
7.00	Evaluation of the Norwegian Plan of Action for Nuclear Safety Priorities, Organisation, Implementation	4.08	Evaluation: Evaluation of Norwegian HIV/AIDS Responses
8.00	Evaluation of the Norwegian Mixed Credits Programme	5.08	Evaluation: Evaluation of the Norwegian Research and Development Activities in Conflict Prevention and Peace-building
9.00	"Norwegians? Who needs Norwegians?" Explaining the Oslo Back Channel: Norway's Political Past in the Middle East	6.08	Evaluation: Evaluation of Norwegian Development Cooperation in the Fisheries Sector
10.00	Taken for Granted? An Evaluation of Norway's Special Grant for the Environment		
1.01	Evaluation of the Norwegian Human Rights Fund	1.09	Evaluation: Joint Evaluation of Nepal's Education for All 2004-2009 Sector Programme
2.01	Economic Impacts on the Least Developed Countries of the Elimination of Import Tariffs on their Products	1.09	Study Report: Global Aid Architecture and the Health Millennium Development Goals
3.01	Evaluation of the Public Support to the Norwegian NGOs Working in Nicaragua 1994–1999	2.09	Evaluation: Mid-Term Evaluation of the Joint Donor Team in Juba, Sudan
3A.01	Evaluación del Apoyo Público a las ONGs Noruegas que Trabajan en Nicaragua 1994–1999	2.09	Study Report: A synthesis of Evaluations of Environment Assistance by Multilateral Organisations
4.01	The International Monetary Fund and the World Bank Cooperation on Poverty Reduction	3.09	Evaluation: Evaluation of Norwegian Development Cooperation through Norwegian Non-Governmental Organisations in Northern Uganda (2003-2007)
5.01	Evaluation of Development Co-operation between Bangladesh and Norway, 1995–2000	3.09	Study Report: Evaluation of Norwegian Business-related Assistance Sri Lanka Case Study
6.01	Can democratisation prevent conflicts? Lessons from sub-Saharan Africa	4.09	Evaluation: Evaluation of Norwegian Support to the Protection of Cultural Heritage
7.01	Reconciliation Among Young People in the Balkans An Evaluation of the Post Pessimist Network	4.09	Study Report: Norwegian Environmental Action Plan
1.02	Evaluation of the Norwegian Resource Bank for Democracy and Human Rights (NORDEM)	5.09	Evaluation: Evaluation of Norwegian Support to Peacebuilding in Haiti 1998–2008
2.02	Evaluation of the International Humanitarian Assistance of the Norwegian Red Cross	6.09	Evaluation: Evaluation of the Humanitarian Mine Action Activities of Norwegian People's Aid
3.02	Evaluation of ACOPAMAN ILO program for "Cooperative and Organizational Support to Grassroots Initiatives" in Western Africa 1978 – 1999	7.09	Evaluation: Evaluation of the Norwegian Programme for Development, Research and Education (NUFU) and of Norad's Programme for Master Studies (NOMA)
3A.02	Évaluation du programme ACOPAM Un programme du BIT sur l'« Appui associatif et coopératif aux Initiatives de Développement à la Base » en Afrique de l'Ouest de 1978 à 1999		
4.02	Legal Aid Against the Odds Evaluation of the Civil Rights Project (CRP) of the Norwegian Refugee Council in former Yugoslavia	1.10	Evaluation: Evaluation of the Norwegian Centre for Democracy Support 2002–2009
1.03	Evaluation of the Norwegian Investment Fund for Developing Countries (Norfund)	2.10	Synthesis Study: Support to Legislatures
2.03	Evaluation of the Norwegian Education Trust Fund for Africa in the World Bank	3.10	Synthesis Main Report: Evaluation of Norwegian Business-related Assistance
3.03	Evaluering av Bistandstorgets Evalueringsnettverk	4.10	Study: Evaluation of Norwegian Business-related Assistance South Africa Case Study
1.04	Towards Strategic Framework for Peace-building: Getting Their Act	5.10	Study: Evaluation of Norwegian Business-related Assistance Bangladesh Case Study

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