Program Information Document (PID)

Concept Stage | Date Prepared/Updated: 23-Apr-2021 | Report No: PIDC238795

BASIC INFORMATION

A. Basic Program Data

Country	Project ID	Parent Project ID (if any)	Program Name
Uganda	P175660		Greater Kampala Metropolitan Area Urban Development Program
Region	Estimated Appraisal Date	Estimated Board Date	Does this operation have an IPF component?
AFRICA EAST	17-Nov-2021	16-Feb-2022	Yes
Financing Instrument	Borrower(s)	Implementing Agency	Practice Area (Lead)
Program-for-Results Financing	Ministry of Finance Planning and Economic Development (MoFPED)	Ministry for Kampala and Metropolitan Affairs	Urban, Resilience and Land

Proposed Program Development Objective(s)

To improve access to economic opportunities and urban living environment in the Greater Kampala Metropolitan Area (GKMA)

COST & FINANCING

SUMMARY (USD Millions)

Government program Cost	900.00
Total Operation Cost	450.00
Total Program Cost	375.00
IPF Component	75.00
Total Financing	450.00
Financing Gap	0.00

FINANCING (USD Millions)

Total World Bank Group Financing	450.00
World Bank Lending	450.00

Concept Review Decision

B. Introduction and Context

Country Context

1. **Uganda's has registered a steady GDP growth since the 1990s averaging 7% despite the current downward trend.** Real GDP grew at 2.9 percent in FY20, less than half the 6.8 percent recorded in FY19, because of the COVID-19 crisis and is expected to grow at a similar level in FY21. Economic activity stalled during the latter part of the fiscal year due to a domestic lockdown that lasted over four months, border closures for everything but essential cargo, and the spillover effects of disruption in global demand and global supply chains due to the COVID-19 pandemic. This resulted in a sharp contraction in public investment and deceleration in private consumption, which hit the industrial and service sectors hard, particularly the informal service sector. Real GDP growth is expected to contract by up to 1 percent in 2020, compared to 7.5 percent growth in 2019, and, as a result, real per capita GDP growth is expected to contract by about 4.5 percent due to widespread firm closures, permanent layoffs in industry and services, a rapid slowdown of activity particularly in the urban informal sector, and a movement of labor back to farming.

2. **Like many countries in Sub-Saharan Africa, Uganda is undergoing a rapid pace of urbanization.** While Uganda's urbanization is just beginning, with only 18% of its population residing in cities and towns, it is one of the most rapidly urbanizing countries in Africa. The total number of people residing in urban areas is expected to quadruple from 6 million people at present to more than 20 million people by 2040. This is already causing various urban challenges for policy makers. Key challenges include high rates of urban unemployment and underemployment, with the rate of creation of productive jobs being lower than the rate of growth of the urban population. In addition, congestion and lack of public transport options in cities restricts the movement of goods and people. The quality of housing remains inadequate for a large proportion of the urban population, with more than 60 percent of the residents of urban areas living in slums. Finally, the delivery of social services of an adequate quality to a rapidly expanding urban population is also a source of concern.

3. **The rational for government focus on the Greater Kampala Metropolitan Area (GKMA) is the close association between urbanization and industrialization due to economies of scale and agglomeration economies.** The GKMA dominates Uganda's national spatial system and economic space. It comprises 10% of the national population, 40% of the urban population, 46% of formal sector workers and 70% of manufacturing firms with five or more employees, accounting for nearly half of Uganda's total GDP[1] as well. The GKMA is by far the largest of Uganda's urban areas and had a population of about 3.5 million in 2017, with no other urban area standing at more than 200,000 at the time of the 2014 census. Realizing Uganda's vision of upper middle-income status by 2040 will largely depend on the GKMA's transformation as a productive and livable city. It is therefore critical for Uganda to plan, coordinate, and invest to achieve GKMA's full potential.

Sectoral (or multi-sectoral) and Institutional Context of the Program

4. **Uganda's vision 2040 seeks to invest in better urban systems to enhance productivity, livability, and sustainability.** The GKMA is envisaged to play a major role in Uganda's structural transformation. Consequently, in 2013, Cabinet approved the GKMA Development Framework 2040 and gazeted GKMA as a special planning area. In order to

[1] Kampala (22.5%), Wakiso (20.8%), and Mukono (5.3%) account for nearly half of Uganda's total GDP (20.8 billion US$ in 2014).

maintain and promote the vital economic contribution and competitiveness of GKMA, the National Planning Authority (NPA) has adopted a programmatic and an integrated multisectoral approach towards the envisioned sustainable urbanization and housing program. To ensure the benefits of increased productivity and economic growth, functional metropolitan governance structures should be in place that balance both regional and local interests and harmonize planning and service delivery throughout the metropolitan area.

5. **Uganda Intergovernmental system and relationship is characterized by decentralization through devolution and it applies to Local Governments (LGs) in the GKMA.** The decentralization policy announced by Government in 1992, embedded in the Constitution and further elaborated in the LG Act, 1997 Cap 243, devolved substantial powers and functions to LGs. The policy redefined the intergovernmental system and relationships between central and LGs. Administrative, political, fiscal and the bulk of service delivery have been devolved to LGs, except for urban water and sewerages, and electricity which are provided by national corporations. Line ministries retained the roles for setting national policies and standards, inspecting, monitoring, technical advice, support supervision and training LGs[2]. LGs hire and fire staff[3], prepare five-year development plans and appropriate annual budget without recourse to the center. LGs are run as fully fledged governments with legislative and executive powers. The District Service Commission (DSC) is responsible for recruitment of staff and all other associated personnel issues while the LG Public Accounts Committee (LG PAC) is responsible for following on all audit issues.

6. **The GKMA is growing rapidly with almost tripled built-up areas between 2010 and 2018 and its growth has been accompanied by challenges transcending municipal administrative boundaries.** The Kampala city is especially overwhelmed by crowded built environment, failing to adequately provide housing, employment, services, and infrastructure, 80% of which lives in informal settlements and works in informal employment. The influx of migrants is adding the pressure to the city and accelerating the GKMA's rapid growth, but the respective urban institutions fail to manage urban growth and development in an orderly manner. While Kampala physical development plan was developed in 2013, physical plans for the GKMA nor precinct/neighborhood plans have been equipped[4]. Challenges, such as unplanned urban sprawl, inadequate waste management facilities, vulnerability to natural disasters or/and environmental degradation, and the absence of an enabling business environment, transcend municipal boundaries and require integrate planning and cooperation among the LGs within the GKMA to collectively solve them. Currently, Kampala Capital City Authority (KCCA) and the surrounding LGs voluntarily cooperate on service delivery, i.e. solid waste management, but in the long term a more formalized system needs to be institutionalized to ensure the coordination of service delivery and the achievement of overall vision for the GKMA development.

7. **Urban Mobility in the GKMA is at a crossroads.** Being one of the largest fast-growing urban agglomeration in the world, it is already facing a mobility crisis that will only be exacerbated with time. In Kampala, only 23% of the population has access to at least 50% of job opportunities within a reasonable timeframe (60 minutes). Kampala's modal share is heavily skewed towards sustainable modes, which could be considered a priori — a promising indicator. However, this is the reflection of the limited access of affordable and efficient alternatives of urban transport modes for the urban poor[5], coercing the choice of walking as a primary mode of transport (40% modal share)[6]. Kampala is the only city in Africa that has 100% of public transport trips covered by paratransit[7] through a myriad of highly fragmented minibus "taxis". Travel patterns vary significantly with income level; when income rises, walking and public transport trips decrease, which is a

[2] LG Act CAP 243 Sections 95 – 99 (GoU: 2000, p77-79)

[3] With the exception of the Chief Administrative Officer/Town Clerks and their deputies which have been recentralized and now being appointed by the National Public Service Commission, not the LG Service Commission.

[4] Only 4 (Kololo, Nalcacero, Mulago, and Makere) out of 25 precinct plans were developed in Kampala city since 2013.

[5] About 60% of the total GKMA's households as per 2014 census. (MMUT Master Plan GKMA, 2018)

[6] (ROM Transportation Engineering Ltd, Cambridge Systematics, & TNM Ltd., 2018)

[7] Source: (Behrens, McCormick, & Mfinanga, 2016)

challenge for any country with Uganda's growth rate. Motorized vehicle fleet almost doubled in less than 5 years, from 739,036 in 2012 to 1,355,090 in 2018, of which more than 50 percent are in the GKMA. *Boda-bodas* almost tripled in 8 years, from 354,000 in 2010 to 1.034 million in 2018. Both of which disproportionately contribute to global carbon emissions vis a vis other transport mode. Kampala hosts more than 50% of the country's total number of crashes and 22% of all fatal crashes, in a country where 10 people die per day on the road. The absence of an efficient public transport system (including the absence of mass transit systems), increased motorization coupled with inadequate transport planning and lack of resources devoted to the modes used by the majority (walking and public transport) has led to poor accessibility and traffic congestion which curtails urban productivity.

8. **Costly and uncompetitive business environment as well as lack of coordinated transport and economic infrastructure hinder firm growth and job creation in the GKMA**. As the area has expanded, firms and employment have dispersed further from the urban center in a non-uniform fashion reducing economic density and agglomeration effects. Firm concentration in Kampala's Central Business District (CBD) has declined from 65% in 2002 to 55% in 2011, while leapfrog development has significantly increased disconnecting people from job opportunities[8]. Given the fact that the majority of the people working in the informal sector are poor, almost all (97%) of the firms in the informal sector employ 5 or less people and 59% runs a one-person business[9]. High number of unemployed youths is of paramount concern (10 % of people residing in the GKMA are unemployed). To protect the livelihoods of informal enterprises, access to service premises, market connectivity, local economic development infrastructure need to be further increased and improved

9. **Uganda is highly prone and vulnerable to various hazards and the GKMA faces a fair share that hinder economic growth and opportunity such as floods, epidemics, building collapses, fires, environmental degradation, air pollution, and, to a lesser extent, erosion and landslides, earthquakes, and dry spells.** Since 1991, the KCCA alone has experienced a total of 153 disaster events, resulting in thousands of deaths and injuries, destroyed and damaged infrastructure, and billions in economic losses. Floods present a critical hazard to GKMA and have the biggest potential for impact on human life and disruption of economic activity. In the KCCA alone, the annual average damage to buildings is US$ 49.6 million and more than 170,000 people are frequently affected by floods. More than 10 percent of all jobs and main roads in Kampala lie in flood-prone areas. Climate change can alter the frequency and intensity of hydrometeorological events, putting further strain on the coping capacity of the city and its residents. It is projected that GKMA will experience longer wet seasons which would result in an increase in the flood hazard events experienced during traditionally dry months, requiring GKMA to be prepared for rainstorms and flooding almost throughout the year.

10. **GKMA is faced with several development challenges but also opportunities.** The key challenges highlighted above can be summarized into four constraints: ***(i) business environment constraints, (ii) mobility constraints, (iii) urban services constraints, and (iv) institutional constraints***. Despite the many challenges, GKMA has opportunities. GKMA has small but robust industrial export base and diverse array of globally competitive clusters. Each of GKMA's districts has unique advantages (Wakiso – Entebbe airport; Mukono – Heavy industries, Mpigi – Agrobusiness; Kampala City – Education & leisure facilities). The area has unique biodiversity, cultural heritage and tourism potential and a key priority for most DPs with a possibility to leverage funding. It is a strategic national priority for Government under its third National Development Plan (NPD III) (2020/21 – 2024/25), with great opportunities for jobs creation given its agglomeration potential.

11. **Weak institutional, policy, and legal framework for the GKMA need to be further enhanced**. The Ministry of Kampala and Metropolitan Affairs (MoKMA) is a new ministry with inadequate capacity to coordinate GKMA development

[8] World Bank 2017, From regulators to enablers: Role of City Governments in Economic Development of Greater Kampala.
[9] Ibid.

and management because of the over laps in mandates with other MADs such as the Ministry of Lands, Housing and Urban Development (MoLHUD), Ministry of Local Governments (MoLG), Ministry of Works and Transport (MoWT), Kampala Capital City Authority (KCCA), just to mention a few. Although urban development planning and management is a decentralized function, the GKMA LGs as well as KCCA lack physical planners and the financial resources for preparing physical development plans and guiding developers. In addition, both the central Ministries, Departments and Agencies (MDAs) and the LGs lack the capacity to enforce compliance to plans, standards and regulations. Therefore, urgent projects that require national and subnational (multijurisdictional) coordination, like mass transit are not able to be properly advance.

12. **Fiscal resources for the required levels of investment remain constrained making the sustainable mobilization of additional financing sources important.** Uganda as a country has had some success in mobilizing private capital but this has largely been limited to generation in the energy sector (US$250m across nine transactions since 2010)[10]. No municipal level privately financed infrastructure projects have been reported and are understood to be challenged by a lack of investable project pipeline, limited revenue sources to repay investments and a limited of private sector confidence in taking medium to long term exposure to municipal payment risk. In this context, and as initial efforts to mobilize the private sector continue, donor finance will continue to play an important role including efforts to mobilize concessional co-financing. In addition, improving the environment for PPPs will have an impact in the ability of Uganda to implement complex projects that require significant private capital mobilization like Bus Rapid Transit.

13. **Government of Uganda (GoU) acknowledges that transforming the GKMA into a productive and livable city calls for a new approach to metropolitan management.** In 2013, the Cabinet approved the GKMA Development Framework 2040 and gazetted GKMA as a special planning area, taking the first step of metropolitan planning and development. Subsequently, the National Planning Authority (NPA) has adopted a programmatic and an integrated multisectoral approach towards the envisioned sustainable urbanization and housing program to maintain and promote the vital economic contribution and competitiveness of the GKMA. However, urban development in the GKMA still occurs largely informally due to: (i) Inadequate integration and poor strategic alignment of physical planning and economic planning; (ii) lack of system and capacity for developing and implementing physical development plans and development control systems; and (iii) the absence of adequate inter-jurisdictional coordination across urban institutions in the GKMA. To ensure the benefits of increased productivity and economic growth, functional metropolitan governance structure is needed. Balancing both metropolitan and local interests, the proposed GKMA Program intends to incentivize integrated planning and coordinated multi-sector service delivery, improve livability, and protect the natural environment.

14. **The Government in 2017 with support from the World Bank developed the Greater Kampala Metropolitan Area Economic Development Strategy.** The GKMA Economic Strategy highlights five strategic objectives and major program areas, which include: (i) *Competitive Economic Infrastructure* - Strategic Roads Program, Public Transportation Program, and Affordable Housing and Land Management Program, (ii) *Conserve and protect environmental assets* - Comprehensive Solid Waste Management Program and Lakes, Wetlands & Waterways Conservation Program, (iii) *Business support to transform the informal sector, the youth and economic growth clusters* - Micro and Small and Medium Enterprise workspace and innovation and skilling program, Business engagement and youth entrepreneurship development program, Cluster Competitiveness Program, Certification, Apprenticeship and Accreditation, (iv) *A unique center for tourism* - infrastructure in the tourism sites and deliberate efforts to promote tourism in the GKMA; and (v) *Effective city and local government service delivery* **-** Sub-national Government Skills, strong Institutional and Legal Arrangement and Governance for effective city and service delivery and strengthening institutions to deliver services, for example Local Economic Development (LED).

[10] https://ppi.worldbank.org/en/snapshots/country/uganda

15. **Uganda has since 2013 been implementing the urban Program - "Uganda Support to Municipal Infrastructure Development (USMID) Program" - using the PforR funding modality** in 14 Municipal Councils (MCs) located throughout the country and these was increased to 22 MC from 2019. The implementing institutions for the USMID Program demonstrated satisfactory capacity to absorb and utilize funds. Accordingly, the PforR funding modality has successfully delivered the required infrastructure in the Program MCs and nearly 13 out of the 14 are being elevated to city status. The support saw the per capita allocations for development grant to the MCs supported rise from USD 1-2 in 2013 to USD 20-30 by 2018 and this is further expected to rise to USD 45 by 2021. The GKMA PforR support targets to increase in the per capita allocations to the urban institutions to at least USD 50-60 given the importance of the GKMA to the transformation of the Uganda economy.

16. **There is a large body of analytical works which the Program design will draw on**. Several different analytics and studies[11] have been done or ongoing by IDA, GoU and other Development Partners with GKMA. These studies will inform the design of the Program. In addition, Covid-19 response will be mainstreamed in the Program design and implementation. GoU instituted a covid-19 lockdown in March 2020 to limit the spread of the pandemic. Through the Ministry of Health (MoH), GoU instituted strict measures and Standard Operating Procedures (SoPs) to be adhered to by all. The measures put in place delayed the onset and community spread of the disease. Uganda currently has 39,600 confirmed positive cases of the corona virus with 325 fatalities. The most vulnerable areas for the spread of the disease include public transport (buses and taxis) and bus/taxi parks, markets, business areas which are often crowded. In order to respond to these challenges, the urban team working with the Government, developed a response strategy which considers the immediate and short-term impacts, medium term impacts and long-term economic recovery. The strategy, which is guiding the implementation of the on-going urban operations and will also be incorporated in the GKMA Program design will include implementing social distancing and hygiene and sanitation measures, identifying hotspots and providing hand washing facilities and running water and sanitizers, and providing appropriate personal protective equipment (PPEs), among others. This will be enforced through environmental, social, health and safety (ESHS) measures that will be mainstreamed in all Program activities.

17. **The strategy for the GKMA Program is therefore to adopt a programmatic and multisectoral approach and align it to the NDP III (2020/21 – 2024/25).** Program 15 in the NPD III has a **five-year focus on Sustainable urbanization and Housing** with a number of program's objectives[12]. The GKMA will be aligned as a subset of NDP II Program 15 objective. While doing this, the GKMA activities will take into consideration NDP III Program 9 objectives[13] (Natural Resources,

[11] (i) From Regulators to Enablers – The roles of City Governments in Economic Development of Greater Kampala, 2017, (ii) Repositioning LGs for Economic Growth – The roles of LGs in promoting Local Economic Development; (iii) Multi Model Urban Transport Master Plan (MMUTMP) for GKMA; (iv) Feasibility and Detailed Designs of Bus Rapid Transit System; (v) Drainage Master Plan for Kampala City; (vi) Greater Kampala Economic Development Strategy – GoU; (vii) Kampala Resilience Strategy; (viii) Kampala Urban Environment study; (ix) Third National Development Plan (NDP 3) – GoU.

[12] The objectives of the program 15 are to: 1) Increase economic opportunities in cities and urban areas; 2) Promote urban housing market and provide decent housing for all; 3) Promote green and inclusive cities and urban areas; 4) Enable balanced, efficient and productive national urban systems; 5) Strengthen urban policies, planning and finance. The key results to be achieved over the next five years are: (i) Decrease the urban unemployment rate from 14.4 percent to 9.4 percent; (ii) Reduce the acute housing deficit of 2.2 million by 20 percent; (iii) Decrease the percentage of urban dwellers living in slums and informal settlements from 60 percent to 40 percent; (iv) Decrease the average travel time per km in GKMA from 4.1 min/km to 3.5 min/km; (v) Increase the proportion of tarmacked roads in the total urban road network from 1,229.7 km (6.1 percent) to 2,459.4 km (12.2 percent); (vi) Improve the efficiency of solid waste collection from 30% to 50 %.

[13] The objectives of NDP III Program 9 are to: 1) Ensure availability of adequate and reliable quality fresh water resources for all uses; 2) Increase forest, tree and wetland coverage, restore bare hills and protect mountainous areas and rangelands; 3) Strengthen land use and management; 4) Maintain and/or restore a clean, healthy, and productive environment; 5) Promote inclusive climate resilient and low emissions development at all levels; 6) Reduce human and economic loss from natural hazards and disasters; 7) Increase incomes and employment through sustainable use and value addition to water, forests and other natural resources.

Environment, Climate change, Land and Water Management) which has correlations to sustainable urbanization and housing. The proposed GKMA urban development Program therefore, seeks to; (i) adopt a multisectoral approach to address the different challenges in the GKMA; (ii) focus on transformative investments which can be delivered within a realistic timeframe of 3-4 years; (iii) consolidate achievements from previous support under USMID PforR and to Kampala (iv) ensure strategic alignment to the government priorities in the NDP III (v) incorporate the recommendations of the many analytical pieces[14] undertaken, and (vi) mainstreaming Covid-19 responses as an integral part of the ESHS requirements in all Program activities.

Relationship to CAS/CPF

18. **The proposed GKMA Program scope are fully consistent with the current Country Partnership Framework (CPF) for the period 2016 – 2021.** The proposed GKMA design is intended to strengthen the capacity of the MoKMA, KCCA and GKMA LGs to deliver coordinated and programmatic infrastructure and services to make the GKMA the engine of transformation and driver of Uganda economy. The Program will contribution to Local Economic Development and will particularly support the achievement of CPF Strategic Focus Area C: *Boosting inclusive growth in urban areas.* The Program will specifically contribute to two thematic objectives areas, particularly thematic objective *6) improved access to urban services* and thematic objective *5) improved business environment*. The CPF lays out a vision whereby WBG investments will "support private investment for more and better jobs, while improving living conditions and connectivity for urban populations". The Program will directly contribute to achieving this vision through its support to GKMA national and subnational institutions (MoKMA, IMC, KCCA, and GKMA LGs) to deliver critical infrastructure investments as well as improved urban service delivery to local citizens and the private sector.

19. **The GKMA Program is also aligned to the GoU vision 2040, the third National Development Plan (NDP III) and the Government GKMA Development Strategy**. The Uganda Vision 2040 aims to transform the Ugandan society from a peasant to a modern and prosperous society. The third National Development Plan (NDP III), the third in a series of six NDPs, intends to guide the nation and deliver the aspirations of the people of Uganda, as articulated in Uganda Vision 2040. The Greater Kampala Economic Development Strategy (2017-2025) intends to achieve job creation, improved livability and sustainable development in the GKMA.

Rationale for Bank Engagement and Choice of Financing Instrument

- *First,* International Development Association (IDA) has gathered significant international experience through the global support, regional/territorial and urban development programs over the last three decades. Apart from international experience, the Bank has also accumulated significant knowledge and experience in Uganda, through sector work and infrastructure lending[15] of over three quarter a billion dollars covering regional and urban development since 2003. Apart from the sizable investment, IDA has stayed engaged in policy dialogue on urban development and decentralization in Uganda for almost three decades.

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[14] (i) From Regulators to Enablers – The roles of City Governments in Economic Development of Greater Kampala; (ii) Repositioning LGs for Economic Growth – The roles of LGs in promoting Local Economic Development; (iii) Multi Model Urban Transport Master Plan (MMUTMP) for GKMA; (iii) Feasibility and Detailed Designs of Bus Rapid Transit System; (iv) Drainage Master Plan for Kampala City; (v) Greater Kampala Economic Development Strategy – GoU; (vi) Kampala Resilience Strategy; (vii) Kampala Urban Environment study; (viii) Third National Development Plan (NDP 3) – GoU; (ix) A number of different analytics and studies by other Development Partners ongoing with GKMA.

[15] (i) The Nakivubo Channel Rehabilitation Project (NCRP), 2003; (ii) First Kampala Institutional and Infrastructure Development project (2007); (iii) Uganda Support to Municipal Infrastructure Development (USMID) PforR Program (2013); (iv) Second Kampala Institutional and Infrastructure Development Project (2014); (iv) Albertine Regional Sustainable Development Project (2014) (v) Uganda Support to Municipal Infrastructure Development (USMID) – Additional Financing (AF) (2018).

• *Second*: The IDA-supported Uganda Support to Municipal Infrastructure Development (USMID) PforR (P117876) has established a strong foundation for a programmatic approach to enhancing government systems along multiple dimensions. Its implemented over the last seven years has enhanced programmatic approach and coordination between Ministries, Departments and Agencies (MDA) through the inter-ministerial Program Technical Committee (PTC) that coordinates Program implementation and addresses technical issues that may affect Program implementation. The PforR modality has also entrenched a culture of performance-based access to development funds; citizen consultations have become an integral element of the PforR Program; enabled all the participating entities to meet improve performance; and contributed to visible impacts on the ground.

• *Third:* The Bank approach in the preparation of the Program will be based on the following: (i) adopt a multisectoral approach to address the different challenges in the GKMA and reduce transaction cost; (ii) consolidate achievements and experiences registered under the USMID PforR and to Kampala; (iii) incorporate the recommendations of the different analytical pieces undertaken; (iv) focus on transformative investments which can be delivered within a realistic time frame of 3-4 years of the Program period; (v) ensure there is strategic alignment to the Government priorities in the NDP III; and (vi) leverage funding from other DPs and private sector through public private partnership with support from IFC, including potential deployment of guarantee products.

20. **There are four reasons that make the Program-for-Results (PforR) instrument optimal for the proposed operation**. *First*, the proposed support will be the part of the Government's program of intergovernmental fiscal transfer (IGFT) system, which includes a focus on the Discretionary Development Equalization Grant (DDEG) to districts and urban LGs nationally. *Second*, incentivizing institutional coordination for metropolitan governance, coordinated planning and service delivery across jurisdictional boundaries for the benefits of metro residence. Incentives for each level of government to deliver on their mandates are integral to the Program's design, and disbursement linked indicators will target all levels of government concurrently to ensure alignment of incentives to promote coordinated metropolitan services and the goals of the Government's Program. *Third,* the proposed Program will improve and integrate systems across the two tiers of government (national and LGs), including public financial management, social, environment, and procurement. *Fourth,* the technical, fiduciary, as well as environment and social assessments will proactively identify institutional gaps, associated risks and propose appropriate risk mitigation measures (Program Action Plans). Implementation of such measures will strengthen the capacity at the MDAs, KCCA as well as the GKMA LGs for the achievement of the GKMA Economic Development Strategy (2017 – 2025).

C. Program Development Objective(s) (PDO) and PDO Level Results Indicators

Program Development Objective(s)

21. To improve access to economic opportunities and urban living environment in the Greater Kampala Metropolitan Area (GKMA)

PDO Level Results Indicators

- Improved urban mobility and accessibility to economic opportunities
- People provided with improved urban living conditions (Number, disaggregated by gender)
- Beneficiaries reached with inclusive job focused interventions (Number, disaggregated by gender)

D. Program Description

PforR Program Boundary

22. **The GoU's program is the Intergovernmental Fiscal Transfer (IGFT).** In 2017 GoU instituted an IGFT reform which resulted into the merger of several conditional grant transfers to sub-national governments for development expenditures into a single transfer known as the Discretionary Development Equalization Grant (DDEG). The GoU IGFT program, which is national and covers all LGs, is intended to contribute to the attainment of the three GoU IGFT reform objectives of (i) restoring adequacy in financing of decentralized service delivery; (ii) ensuring equity in allocation of funds to LGs for service delivery; and (iii) improving the efficiency of LGs in the delivery of services, through improvement of the overall grants to LGs. It has a well-developed allocation formula and core features of the assessment system as well as the institutional arrangements. The program is no longer time-bound, but now focuses on a longer-term improvement of the overall funding system of LG infrastructure and services and encompasses all intergovernmental fiscal transfers with a core focus on the DDEG, with a robust national assessment system managed by the Office of the Prime Minister (OPM) with support from the MoLG.

23. **The country wide implementation of the GoU program has been successful in consolidating and harmonizing resources from various sources for local service delivery and capacity building**. The IDA's GKMA Program will support the GoU national DDEG program. However, there are several issues with the government's IGFT program which make it unresponsive to the growing needs of the GKMA. First: the DDEG funds allocation of US$2 per capita to urban LGs is inadequate for the needs of the GKMA. Second, the DDEG transfers are made by MoF to all LGs as a corporate entity. The opportunity for programmatic approach and interjurisdictional coordination for investments cutting across many LGs is therefore missed. Third, all investment activities under Second schedule of the LGs Act are eligible for funding under the DDEG, hence the fund is prone to being spread thin and therefore miss the opportunity to achieve development impact. Fourth, the GoU national LGs (both urban and district) assessment tool focuses more on governance and accountability issues and less on issues which would make GKMA as an economic hub for the country more competitiveness, resilience, and facilitate mobility and accessibility to various transport modes.

24. **The GKMA Urban Development Program will be a slice of the GoU DDEG program in terms of both scope of coverage and investment menu.** It will build on the experiences gained under the on-going USMID PforR Program and refines the mechanisms to enable a focus on metropolitan area. The boundary of the GKMA Program will be limited to two sub-levels: ***national level*** – Ministry of Kampala and Metropolitan Affairs (MoKMA) and the GKMA inter-ministerial coordinating committee (IMC)[16], and ***sub-national level*** – KCCA and the eight[17] surrounding municipal and district LGs.

25. **The Program will have two windows: Window 1 – PforR investment window (US$375million), and Window 2 – IPF financed activities (US$75 million).** Window 1 will be a Performance based grants Window (US$375.0 million) for Metropolitan Development Grant (MDGs). Window 1 will support both investments and capacity building at the center (MoKMA and IMC) as well as the subnational level (KCCA and the GKMA 8 municipal and district LGs). The MDGs would be allocated in the amount of US$40.0 to US$50.0 per capita of the population of KCCA and the GKMA LGs. This is consistent with the current per capita allocation under the on-going USMID-AF for 22 secondary cities. The high per capita allocation is to enable KCCA and the GKMA LGs to make relatively more strategic investments commensurate to the GoU

[16] MoKMA, NPA, MoLHUD, MoLG, MoWT, KCCA, PPDA, MoFPED, NEMA
[17] Municipalities of Kira, Nansana, Makindye-Ssebagabo, Mukono, Entebbe, and the districts of Wakiso, Mukono and Mpigi.

GKMA Economic Development strategy that are aligned to the NDP III and consistent with the country's vision 2024. The MDG will be made available to KCCA and the 8 Municipal and district LGs based on their national performance assessment results measured against MDG-specific benchmarks[18]. Performance would be assessed both through the existing GoU national performance assessment system as well as additional metropolitan/urban management performance assessment. Only LGs that achieve a performance assessment score equal to or greater than the national average would qualify for MDGs. In addition, "over and above" the regular government national assessment process, the MDG performance assessment system would cover metropolitan governance and core service delivery benchmarks to incentivize metropolitan urban management and service delivery. KCCA and GKMA LGs can use the MDGs to finance Economic infrastructure; mobility network infrastructure; and Waste management. Institutional and capacity support for KCCA and the GKMA LGs will be supported also under the MDGs on a demand driven basis. The institutional and capacity assessment to be conducted during Program preparation will guide the demands based on the gaps identified.

26. **Window 2 - IPF Window (US$75.0 million) for Institutional support (MoKMA and IMC) and Ddundu Solid Waste Management Facility**: A set of parallel, but related activities at national and GKMA level and the Ddundu Solid Waste PPP will be financed through an IPF window over the Program period. The activities will provide viability gap funding to the Ddundu transaction as well as strengthening capacities of MoKMA and the IMC for coordination, planning and provision of metropolitan infrastructure and services. At the national level, MoKMA and the IMC will be supported in the development and implementation of relevant policy and regulatory frameworks in the metropolitan space, as well as for setting metropolitan service delivery standards. In addition to the lending under this window, it is expected there may be a need for it to provide some form of credit enhancement to mobilize private capital for the Ddundu PPP. This credit enhancement could take the form of an WB IPF payment or loan guarantee (under the RECIDE program[19]) to backstop public sector payment or performance risk to private entities. The project structure and financing mechanism, and therefore choice of instrument, to meet the development objective is yet to be finalized and will be driven by further analysis on the market and end users. If it is determined that a guarantee is the most suitable instrument, and has been requested by the Government, the team will follow the IPF Guarantee Instructions which will require a review by the Corporate Review for Guarantees Committee (CRGC) and a virtual PCN circulating the Guarantee Term Sheet for Management Approval.

27. **IDA financing will be provided through disbursement linked indicators, 3 DLIs for MAs and 2 DLIs for national level (MoKMA and IMC).** The 3 DLIs for KCCA and 8 GKMA municipal and districts LGs will assess (i) DLI 1 - the ability of KCCA and the GKMA LGs to have and maintain the minimum institutional capacity to receive grants under the Program; (ii) DLI 2 - evidence that KCCA and GKMA LGs plans and budget supported under the Program are aligned to the GKMA Economic Development Strategy and well-coordinated; and (iii) DLI 3 - the capacity to deliver actual metropolitan services as per annual work plan. These DLIs will build on the existing GoU performance assessment system and will aim to address the core of the PDO. The 2 DLIs for national level (MoKMA and IMC) will assess the timeliness of the technical support to KCCA and GKMA LGs and they are: (i) DLI 4 - : IMC technical support annual work plan to KCCA and GKMA LGs aligned to the GKMA Program Action Plan (PAP) and addressing gaps and risks identified through the Technical, ESSA, Integrated

[18] These could be spatial and land use planning, the application of development controls, inter-jurisdictional coordination in metropolitan regions, the provision of municipal services and economic infrastructure, urban connectivity, etc.

[19] The Resilient City Program aims to facilitate the mobilization of private capital into urban resilience investments through access to EU backed co-guarantees. These act alongside WB guarantees providing additional coverage without increasing requirements on IDA capital. Further, they bring EU funded technical assistance, delivered by the World Bank's City Resilience Program. The program is available to World Bank operations that include AECID co-lending.

fiduciary and Institutional and Capacity Needs assessments, (ii) DLI 5 – implementation of the IMC technical support annual work plan to KCCA and GKMA LGs so as to achieve the PDO.

E. Initial Environmental and Social Screening

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Screening of Environmental and Social Risks and Impacts of the IPF Component