Document of
The World Bank

FOR OFFICIAL USE ONLY

Report No: 75172-UG

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF SDR 66.1 MILLION
(US$100 MILLION EQUIVALENT)

TO THE

REPUBLIC OF UGANDA

FOR A

COMPETITIVENESS AND ENTERPRISE DEVELOPMENT PROJECT

April 12, 2013

Financial and Private Sector Development
AFCEI
Africa Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective February 28, 2013)

Currency Unit	=	Ugandan Shilling (UGX)
US$1	=	UGX 2,656
US$1	=	SDR 0.65

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

ADR	Alternative Dispute Resolution	MITC	Ministry of Industry, Trade and Cooperatives
BDS	Business Development Services	MoFPED	Ministry of Finance Planning and Economic Development
BLRC	Business Licensing Reform Committee	MoJCA	Ministry of Justice and Constitutional Affairs
BPO	Business Process Outsourcing	MLHUD	Ministry of Lands, Housing and Urban Development
BUDS	Business Uganda Development Scheme	MoTWA	Ministry of Tourism, Wildlife and Antiquities
BTC	Belgian Technical Cooperation	MSME	Micro, Small and Medium Enterprises
CAS	Country Assistance Strategy	NCB	National Competitive Bidding
CEDP	Competitiveness and Enterprise Development Project	NDP	National Development Plan
CICS II	Second Competiveness and Investment Climate Strategy	NEMA	National Environment Management Authority
CLA	Communal Land Association	NLC	National Licensing Centre
DANIDA	Danish International Development Agency	NPV	Net Present Value
DB	Doing Business	ORAF	Operational Risk Assessment Framework
DFID	Department for International Development	PCU	Project Coordination Unit
EAC	East African Community	PDU	Procurement and Disposal Unit
ERR	Economic Rate of Return	POM	Project Operations Manual
ESIA	Environment and Social Impact Assessment	PPDA	Public Procurement and Disposal of Public Assets Authority
ESMF	Environmental and Social Management Framework	PRSC	Poverty Reduction Strategy Credit
ED	Executive Director	PSCP II	Second Private Sector Competitiveness Project
EU	European Union	PSC	Project Steering Committee
FA	Finance Agreement	PSD	Private Sector Development
FSD	Finance System Development	PSFU	Private Sector Foundation Uganda
GAP	Governance Action Plan	PTC	Project Technical Committee

GDP	Gross Domestic Product	QCBS	Quality and Cost Based Selection
GNI	Gross National Income	RAP	Resettlement Action Plan
GoU	Government of Uganda	RCIP	Regional Communication Infrastructure Project
HACCP	Hazard Analysis Critical Control Point System	RFQ	Request for Quotation
HTTI	Hotel and Tourism Training Institute	RIA	Regulatory Impact Assessment
IBRD	International Bank for Reconstruction and Development	RPF	Resettlement Policy Framework
ICAS	Investment Climate Advisory Services	SBDs	Standard Bidding Documents
ICB	International Competitive Bidding	SIL	Specific Investment Loan
ICT	Information and Communications Technology	SRFP	Standard Request for Proposal
IDA	International Development Association	SSA	Sub-Saharan Africa
IFC	International Finance Corporation	TA	Technical Assistance
IFR	Interim Financial Report	ToR	Terms of Reference
IG	Inspectorate of Government	TTCI	Travel and Tourism Competiveness Index
IGG	Inspector General of Government	UICP	Uganda Investment Climate Program
IMF	International Monetary Fund	UNDP	United Nations Development Programme
INT	Integrity Vice Presidency	UNHS	Uganda National Household Survey
IS	Implementation Support	URSB	Uganda Registration Services Bureau
ISO	International Organization for Standardization	USAID	United States Agency for International Development
ISR	Implemention Supervision Report	USMID	Uganda Support to Municipal Infrastructure Development
LIS	Land Information System	UTB	Uganda Tourism Board
LSSP	Land Sector Strategic Plan	UWA	Uganda Wildlife Authority
M&E	Monitoring and Evaluation	WBG	World Bank Group
MGF	Matching Grant Facility	WEF	World Economic Forum

Regional Vice President:	Makhtar Diop
Country Director:	Philippe Dongier
Sector Director:	Gaiv Tata
Sector Manager:	Irina Astrakhan
Task Team Leader	Moses K. Kibirige
Co-Task Team Leader:	Valeriya Goffe

REPUBLIC OF UGANDA
COMPETITIVENESS AND ENTERPRISE DEVELOPMENT PROJECT

TABLE OF CONTENTS

Page

List of Tables

List of Figures

PAD DATA SHEET

Uganda

Competitiveness and Enterprise Development Project (CEDP) (P130471)

PROJECT APPRAISAL DOCUMENT

AFRICA

AFTFE

Report No.: 75172-UG

Basic Information			
Project ID	Lending Instrument	EA Category	Team Leader
P130471	Specific Investment Loan	B - Partial Assessment	Moses K. Kibirige
Project Implementation Start Date		Project Implementation End Date	
07-May-2013		30-Sep-2018	
Expected Effectiveness Date		Expected Closing Date	
16-Sep-2013		31-March-2019	
Joint IFC			
Yes			
Sector Manager	Sector Director	Country Director	Regional Vice President
Irina Astrakhan	Gaiv M. Tata	Philippe Dongier	Makhtar Diop

Borrower: Government of Uganda			
Responsible Agency: Ministry of Finance Planning and Economic Development			
Contact:	Keith Muhakanizi	Title:	Deputy Secretary to the Treasury
Telephone No.:	+256-414-230290	Email:	keith.muhakanizi@finance.go.ug

Project Financing Data(US$M)				
[ ]	Loan	[ ]	Grant	The credit is on standard IDA terms and has a final maturity of forty (40) years including a grace period of ten (10) years.
[X]	Credit	[ ]	Guarantee	

For Loans/Credits/Others	
Total Project Cost (US$M):	100.00
Total Bank Financing (US$M):	100.00

Financing Source	**Amount(US$M)**
BORROWER/RECIPIENT	2.50
International Development Association (IDA)	100.00
Total	102.50

Expected Disbursements (in USD Million)									
Fiscal Year	2014	2015	2016	2017	2018	2019			
Annual	10.00	20.00	30.00	20.00	19.00	1.00			
Cumulative	10.00	30.00	60.00	80.00	99.00	100.00			

Project Development Objective(s)
The development objective of the project is to improve the competitiveness of enterprises in Uganda by providing support for: (i) the implementation of business environment reforms, including land administration reform; and (ii) the development of priority productive and service sectors.

Components	
Component Name	**Cost (USD Millions)**
Land Administration Reform	54.00
Business Registration and Business Licensing Reforms	10.00
Tourism Competitiveness Development	25.00
Matching Grant Facility	8.00
Project Implementation	3.00

Compliance		
Policy		
Does the project depart from the CAS in content or in other significant respects?	Yes [ ]	No [X]
Does the project require any waivers of Bank policies?	Yes [ ]	No [X]
Have these been approved by Bank management?	Yes [ ]	No [ ]
Is approval for any policy waiver sought from the Board?	Yes [ ]	No [X]
Does the project meet the Regional criteria for readiness for implementation?	Yes [X]	No [ ]

Safeguard Policies Triggered by the Project	**Yes**	**No**
Environmental Assessment OP/BP 4.01	X	
Natural Habitats OP/BP 4.04		X
Forests OP/BP 4.36		X
Pest Management OP 4.09	X	
Physical Cultural Resources OP/BP 4.11	X	
Indigenous Peoples OP/BP 4.10		X

Involuntary Resettlement OP/BP 4.12	X	
Safety of Dams OP/BP 4.37		X
Projects on International Waterways OP/BP 7.50		X
Projects in Disputed Areas OP/BP 7.60		X

Legal Covenants

Name	Recurrent	Due Date	Frequency
Condition of Effectiveness		Effectiveness	Once

Description of Covenant
The Subsidiary Agreement, in form and substance satisfactory to the Association, has been executed on behalf of the Recipient and the Project Implementing Entity

Name	Recurrent	Due Date	Frequency
Condition of Effectiveness		Effectiveness	Once

Description of Covenant
The Recipient has prepared and adopted the Project Operations Manual (including arrangements on financial management, procurement management procedures and a Matching Grants Manual), in accordance with the provisions of Section I.C of Schedule 2 to the Financing Agreement

Name	Recurrent	Due Date	Frequency
Condition of Effectiveness		Effectiveness	Once

Description of Covenant
The Recipient has, through: (i) MLHUD, appointed a financial management specialist, in accordance with the provisions of Section I.A.1 of Schedule 2 to the Financing Agreement; and (ii) the Project Implementing Entity, appointed a procurement specialist and a financial management specialist, in accordance with the provisions of Section III.C of Schedule 2 to the Financing Agreement

Name	Recurrent	Due Date	Frequency
Condition of Effectiveness		Effectiveness	Once

Description of Covenant
The Recipient has, through MoFPED, established the Project Steering Committee and Project Technical Committee, respectively, each in accordance with the provisions of Section I.A.2 and I.A.3, respectively, of Schedule 2 to the Financing Agreement

Name	Recurrent	Due Date	Frequency
Condition of Effectiveness		Effectiveness	Once

The Recipient has, through the Project Implementing Entity, established the Contracts Committee

Name	Recurrent	Due Date	Frequency
Dated Covenant		One Month after Effective Date	Once

Description of Covenant
The Recipient shall, through MLHUD, not later than one (1) month after the Effective Date, appoint in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement, and thereafter maintain at all times during Project implementation, a procurement specialist and an environmental and social management specialist, all with qualifications, experience and terms of reference acceptable to the Association

Name	Recurrent	Due Date	Frequency
Dated Covenant		Six Months after Effective Date	Once

Description of Covenant
The Recipient shall, through MLHUD, not later than six (6) months after the Effective Date, appoint in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement, and thereafter maintain at all times during Project implementation, a quantity surveyor and a civil engineer, all with qualifications, experience and terms of reference acceptable to the Association

Name	Recurrent	Due Date	Frequency
Dated Covenant		Thirty Months after Effective Date	Once

Description of Covenant
The Recipient shall, through MLHUD, not later than thirty (30) months after the Effective Date, take all actions, including, the provision of funding, personnel (in particular lands officers) and other resources necessary to enable said MLHUD to operationalize the zonal land offices constructed under Part 1 (a) (i) of the Financing Agreement

Name	Recurrent	Due Date	Frequency
Procurement Covenant		One Month after Effective Date	Once

Description of Covenant
The Recipient shall, not later than one (1) month after the Effective Date, organize a bidders conference with a view to addressing, among others, measures for preventing fraud and corruption in the Project, under terms of reference acceptable to the Association

Name	Recurrent	Due Date	Frequency
Procurement Covenant		One Month after Effective Date	Once

Description of Covenant
The Recipient shall, not later than six (6) months after the Effective Date, provide procurement training for PDU staff, under terms of reference acceptable to the Association

Name	Recurrent	Due Date	Frequency
Procurement Covenant		Twelve months after Effective Date	Once

Description of Covenant
The Recipient shall, not later than twelve (12) months after the Effective Date, update its procurement filing and record keeping system, in form and substance acceptable to the Association

Name	Recurrent	Due Date	Frequency
Procurement Covenant		Twelve months after Effective Date	Once

Description of Covenant
The Recipient shall, not later than twelve (12) months after the Effective Date, acquire additional and appropriate office space for PDU staff, under terms of reference acceptable to the Association

Name	Recurrent	Due Date	Frequency
Dated Covenant		Thirty Months after Effective Date	Once

The Recipient shall, not later than thirty (30) months after the Effective Date, undertake, in conjunction with all agencies involved in the Project, including the Project Implementing Entity, a comprehensive mid-term review of the Project during which it shall exchange views with the Association and implementing agencies generally on all matters relating to the progress of the Project, the performance by the Recipient of its obligations under this Agreement and the performance by said Project Implementing Entity and said implementing agencies, having regard to the performance indicators referred to in paragraph 1 of Section II.A of the Financing Agreement.			
Name	**Recurrent**	**Due Date**	**Frequency**
Dated Covenant		Three Months after Effective Date	Once
The Project Implementing Entity shall, not later than three (3) months after the Effective Date, establish and thereafter maintain, at all times during the implementation of the Project, the Project Coordination Unit ("PCU"), to be responsible for prompt and efficient oversight (including day to day implementation, coordination and management) of activities under its Respective Part of the Project, and shall take all actions, including the provision of funding, personnel and other resources necessary to enable said PCU to implement said Part of the Project			

Team Composition

Bank Staff

Name	Title	Specialization	Unit
Moses K. Kibirige	Senior Private Sector Development Specialist	Team Leader	AFTFE
Valeriya Goffe	Young Professional	co-TTL	AFTFE
Frank Fulgence K. Byamugisha	Operations Adviser	Operations Adviser	AFTA3
Andrea Mario Dall'Olio	Lead Private Sector Development Spec.	Lead Private Sector Development Spec.	AFTFE
John R. Wille	Lead Private Sector Development Spec.	Lead Private Sector Development Spec.	CICTI
Yasmin Tayyab	Senior Social Development Specialist	Senior Social Development Specialist	AFTCS
Lucy M. Fye	Senior Private Sector Development Specialist	Senior Private Sector Development Specialist	AFTFE
Hannah R. Messerli	Senior Private Sector Development Specialist	Senior Private Sector Development Specialist	AFTFE
Andreja Marusic	Senior Operations Officer	Senior Operations Officer	CAFIC
Rachel K. Sebudde	Senior Economist	Senior Economist	AFTP5
Innocent Mulindwa	Senior Education Specialist	Senior Education Specialist	AFTEE
Martin Fodor	Senior Environmental Specialist	Senior Environmental Specialist	AFTN3
Labite Victorio Ocaya	Sr Highway Engineer	Sr Highway Engineer	AFTU1

Steven Kenneth Shalita	Senior Communications Officer	Senior Communications Officer	AFRSC
Barbara Kasura Magezi Ndamira	Senior Public Sector Specialist	Senior Public Sector Specialist	AFTP5
Grace Nakuya Musoke Munanura	Senior Procurement Specialist	Senior Procurement Specialist	AFTPE
Christine Makori	Counsel	Counsel	LEGAM
Luis Schwarz	Senior Finance Officer	Senior Finance Officer	CTRLA
Carolyn Nshemereirwe Ndawula	Operations Officer	Operations Officer	CAFIC
Paul Kato Kamuchwezi	Financial Management Specialist	Financial Management Specialist	AFTME
Markus Kimani	Operations Analyst	Operations Analyst	CAFIC
Herbert Oule	Environmental Specialist	Environment	AFTSN
Constance Nekessa-Ouma	Social Development Specialist	Social Development	AFTCS
Sarah Nsibirwa-Nsubuga	Information Specialist	Information Specialist	AFRIT
Yeshareg Dagne	Program Assistant	Program Assistant	AFTFE
Noeline Kitonsa	Program Assistant	Program Assistant	AFMUG
Anita Nabirye Mwandha	Consultant	Consultant	CICAF
Bradley Weiss	Consultant	Consultant	AFTFE

Non Bank Staff

Name	Title	Office Phone	City

Locations

Country	First Administrative Division	Location	Planned	Actual	Comments

Institutional Data

Sector Board

Financial Inclusion Practice

Sectors / Climate Change

Sector (Maximum 5 and total % must equal 100)

Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %

Industry and trade	General industry and trade sector	35		
Industry and trade	Other industry	30		
Finance	SME Finance	15		
Industry and trade	Other domestic and international trade	10		
Industry and trade	Agro-industry, marketing, and trade	10		
Total		100		

☐ I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.

Themes

Theme (Maximum 5 and total % must equal 100)

Major theme	Theme	%
Financial and private sector development	Micro, Small and Medium Enterprise support	25
Financial and private sector development	Infrastructure services for private sector development	13
Rule of law	Legal institutions for a market economy	13
Rural development	Rural markets	24
Trade and integration	Export development and competitiveness	25
Total		100

UGANDA

COMPETITIVENESS AND ENTERPRISE DEVELOPMENT PROJECT

PROJECT APPRAISAL DOCUMENT

I. STRATEGIC CONTEXT

A. Country Context

1. **Uganda's longstanding prudent macroeconomic stance and consistent market-oriented policy reforms have delivered strong performance in terms of economic growth and overall poverty reduction.** Annual growth, which was averaging an already high 6.3 percent over the 1990s, accelerated to 7.0 percent during the 2000s, making Uganda one of the best performing economies of the past 20 years. Key drivers of growth have been private investment, particularly in construction of commercial and residential property, exports led by tourism, and non-traditional exports such as fish, flowers, and maize.

2. **This aggregate performance, however, has resulted in modest per capita income gains due to fast population growth, and falls short of Uganda's aspiration to catch up with the middle-income countries.**[1] It also hides an uneven distribution of welfare improvements and increasing inequalities resulting largely from uneven spatial development. Much of Uganda's structural transformation and rising productivity in market-oriented agriculture has been spatially concentrated in the South, Central, and Western regions, while the Northern region, affected by protracted conflicts for many years, has lagged behind.

3. **Recent relapses in macroeconomic management require careful action to address imbalances while limiting adverse effects on growth and development objectives.** The global financial crisis cut Uganda's growth to 5.2 percent in FY2009/10, 2 percentage points lower than in the previous year. Although stability was subsequently restored, growth will remain subdued due to budget execution problems and uncertainties brought about by governance scandals.[2]

4. **Barring the near-term uncertainties, Uganda's economic outlook is positive on account of both oil and pro-growth reforms to enhance efficiency and generate productivity improvements**. The magnitude and timing of Uganda's oil production will depend on construction of production infrastructure, including refineries and possibly a pipeline, but full-scale export-driven production is not expected sooner than five years. With proven reserves of at least 800 million barrels and a potential of up to 3.5 billion barrels, production could reach 150,000-200,000 barrels per day over a 25-year production period. Limited production of

[1] With a per capita gross national income (GNI) of some US$510 (2011), Uganda continues to be classified among the poorest countries in the world.
[2] Corruption scandals involving the Office of the Prime Minister and Ministry of Public Service resulted in a freeze of aid estimated at US$300 million (equivalent to 4-6 percent of the government budget).

10,000-20,000 barrels per day, primarily for domestic use, could start within two to three years, using rail and road transportation for delivery. Full-scale production (and the concomitant government revenue) could start within five to seven years, once downstream infrastructure is in place.

5. **Oil presents an opportunity for Uganda to double its fiscal revenues, and if appropriately used, to forge the way for the private sector to develop through growth poles and backward and forward linkages**. The already stepped-up investments in oil production infrastructure in Uganda will be a major driver of growth in the medium term, generating employment and other economic opportunities, as well as having potential productivity spillovers. Suppliers of the oil industry in Uganda will be able to take advantage of multiple linkages that oil sector developments can offer, such as local sourcing, information exchange, joint training, joint product development, cooperation for product or quality development, and improvement and actions to improve service delivery.

6. **Strengthened government regulatory and oversight systems remain vital for ensuring that Uganda maximizes the benefits from upcoming oil production**. Uganda has a comprehensive institutional, legal, and policy framework to improve the governance environment and address the problem of corruption. However, enforcement of anti-corruption legislation and administrative sanctioning remain a serious challenge.[3] Poor adherence by public officials to public financial management laws and regulations is a major constraint to improving service delivery according to the *Study on Non-Compliance in Public Financial Management in Uganda* (2011), which identified public financial management and procurement laws as the most violated laws at all levels of the government. There have also been several high-level alleged corruption cases during the last four years, few of which have been fully resolved. Efforts towards increasing and sustaining the financing of the key accountability institutions will go a long way to enhance their ability to attract and retain core competencies required to effectively fight corruption and demonstrate Government commitment to the policy of "zero" tolerance for corruption. Further, to enhance citizens demand for good governance the Government needs to increase information flows on programs and budget implementation and operationalize implementation of the access to information act (2005).

7. **Beyond governance and management issues, Uganda must manage a number of challenges to realize the opportunity within oil.** First, Uganda's oil resources are located in ecologically sensitive and valuable areas, as several of the exploration areas are within or border on national parks. This may have important implications for the environment and the country's ability to get its tourism sector off the ground. Second, a real appreciation of the shilling, resulting from the large resource flow, could reduce competitiveness especially of Uganda's agricultural exports, with severe implications for export diversification, value addition, and entry into manufacturing. The so-called "Dutch Disease" will be minimized if productivity is raised by reducing transport costs through better infrastructure and logistics, providing a reliable electricity supply at competitive rates, and reducing the cost of doing business.

[3] This has consistently been highlighted in the last three *Annual Reports on Corruption Trends in Uganda* using the Data Tracking Mechanism (2010, 2011, and 2012).

B. Sectoral and Institutional Context

Private Sector Development Challenges

8. **Uganda's private sector, including agriculture, is the major employment source of an estimated 16-million strong workforce.** It is characterized by two distinct types of enterprises. On one hand are the few large enterprises with more than 50 employees, comprising less than 1 percent of all enterprises. On the other hand are the vast majority of firms, primarily micro, small, and medium enterprises (MSMEs), which sell mostly to the local market, face severe resource constraints, and contribute modestly to economic growth and exports. As shown in Annex 6, according to the Uganda Bureau of Statistics, 70 percent of firms are micro firms.

9. **Firms remain primarily in low value-added, labor intensive areas of production.**[4] Although wages are low, productivity is even lower and, as a result, it is difficult for Ugandan firms to compete in international markets. Total factor productivity is lower in the manufacturing sector in Uganda than it is in most other countries in Sub-Saharan Africa (SSA). It is also far lower than in the African and East Asian countries that have successfully entered export-oriented manufacturing. The country is also lagging behind SSA averages in agricultural productivity.[5] Low productivity in agriculture is a function in part of a lack of investment in business development services (BDS) by many Ugandan firms. In sectors with weak value chain linkages, including agriculture, it becomes important for stakeholders along the value chains (including farmers, traders, and processors) to collaborate and create strong commercial links to maximize gains and to accelerate the pace of commercialization, which is key to increasing productivity. However, lack of available financing creates challenges for investing in such services for many firms.

10. **A number of studies and surveys of Uganda's private sector undertaken by the World Bank and other donors have all led to the conclusion that the business environment is not sufficiently conducive to private sector development.** The country performs poorly in the World Bank's annual *Doing Business (DB)* report. In the *Global Competitiveness Index 2012-13 Report,* Uganda also ranked rather low. The major constraints affecting firms in these reports were access to land, starting a business, licensing, and dealing with construction permits.

11. **Land administration reform has the potential to be truly transformational for Uganda's economy.** Sound land policies are known to be a catalyst for commercialization of agriculture. However, they are also essential for facilitating flows of private investment into industries, creating new jobs, and stimulating mobility and structural change, as well as ensuring well-functioning cities[6] and sustainable resource use. In Uganda, where land policies are currently very cumbersome and land tenure security is weak,[7] investors cannot yet be sure of

---

[4] Source: *An Assessment of the Investment Climate in Uganda* (2009).

[5] According to national accounts data, agricultural output expansion over the past two decades has come from the rapid increase in the agricultural labor force and area expansion, rather than productivity growth.

[6] A large percentage of the urban population in Uganda lives in urban slums, without secure access to land. Integration of this population through efficient and equitable land markets is critical to ensure well-functioning cities.

[7] The process of registering and obtaining title to property is very cumbersome. According to *DB 2013*, Uganda is on the list of countries that make registering property the most difficult due to a large number of procedures. The

reaping the full benefits of land deals and investments. At present, only 18 percent of the country's land is registered, with registration of rural land as low as 5 percent, and land administration is highly inefficient and characterized by corruption. Risks remain very high for both investors and communities, thus limiting the volume of investment.

12. **Successful land administration reform could dramatically improve the attractiveness of Uganda for investors while protecting the land rights of local communities**:

(i) **Agricultural Development**. Sound land policies can facilitate growth in agricultural productivity via secure land tenure, which enhances opportunities for investment.

(ii) **Industry Development.** Significant opportunities could open up for the development of a number of sectors, for example, manufacturing. Currently, manufacturing firms in Uganda lack access to serviced industrial land. With improved access to land, manufacturing firms in Uganda would be able to construct warehouses, showrooms, and houses for workers, which would give a significant momentum to the industry.

(iii) **Increased Employment.** New investments and productivity sparked by increased and more secure access to land would mean new jobs; these are critical especially for Ugandan youth, who have a high unemployment rate.

(iv) **Improved Access to Finance.** Improved access to land would enable firms and individuals in the private sector to secure loans using land as collateral.

(v) **Enhanced Stability.** Security of property rights and the ability to draw on local or national authorities to enforce those rights are central to preserving livelihoods and maintaining social stability in Uganda. Enhanced social stability would make Uganda more attractive to potential investors.

Annex 13 further explains the benefits of land reform for private sector development in Uganda.

13. **Another major problem for Ugandan firms relates to high transaction costs from operating legally:**

i. **Business registration, which is inefficient, slow, and a significant barrier to entering the Ugandan market, continues to be a burden for enterprises**. Poor business registration practices repeatedly appear on the list of complaints both locally and internationally. The incorporation process is handled by the Uganda Registration Services Bureau (URSB), an autonomous statutory body under the Ministry of Justice and Constitutional Affairs (MoJCA), which is responsible for policy direction as the line ministry for URSB. The incorporation process is currently managed separately from other registration procedures, such as tax and social security registration. Uganda introduced an electronic system for tax registration of a business, but given the poor information and communications technology (ICT) infrastructure of the economy and the unstable supply

---

country ranks 124 on the *DB 2013* list (out of 185 countries), significantly behind Rwanda (ranked 63) and South Africa (ranked 79).

of electricity, this electronic system has been unstable and has caused long delays in the process of registering a business. According to *DB 2013*, starting a business in Uganda requires 15 procedural steps and takes 33 days, with a cost amounting to 76.7 percent of income per capita: this ranks Uganda at 144 among 183 economies analyzed on this indicator, significantly behind regional neighbors such as Rwanda (8), South Africa (53), and Tanzania (113). Forty-eight percent of surveyed microenterprises in Uganda noted that the financial cost of completing registration procedures was a serious barrier.

ii. **Business licensing** is also administratively burdensome for businesses**.** The multiplicity and overlap of business licenses, levies, fees, and permits that exist at the national and subnational government levels create unnecessary costs and stymie business activities. The business licensing inventory exercise performed in 2011/12 identified a total of 780 licenses/permits/user charges/authorizations issued by both central and local government agencies countrywide. The total annual cost[8] incurred by businesses to comply with licensing requirements is estimated at UGX 725.73 billion, representing 3.49 percent of GDP.[9] Fifty-seven percent of this constitutes the actual license fees and 43 percent is the administrative cost of obtaining these licenses. When it comes to particular areas of focus, there is significant room for improvement – for example, the process of obtaining construction permits in Uganda is slow and time consuming. Uganda ranks 113 in *DB 2013* on the "Dealing with Construction Permits" indicator, which represents a decline of 3 points compared to the previous year. Uganda falls significantly behind South Africa, Kenya, and Rwanda, which received ranks of 39, 45, and 98, respectively, in *DB 2013*.

14. **To avoid the high cost of compliance with the rules, many firms choose to operate informally and, as a result, gain an unfair advantage over formal firms that bear all the costs**. In 2009, about 39 percent of surveyed MSMEs noted that competition from the informal sector was a serious constraint to doing business,[10] and informality appears to have become a greater constraint since the earlier 2004 assessment. Easier registration and licensing processes, as well as better access to finance, could have a major impact on reducing transaction costs for firms operating formally and on improving their competitiveness. It could also motivate firms in the informal sector to transition to the formal sector, thus leveling the field and increasing government revenues.

15. **Laws and regulations that control business activities are a great hindrance to entrepreneurs in the high-potential sectors of the Ugandan economy, such as tourism, but the tourism sector also faces other important constraints due to its specific nature.** Tourism is one of the fastest growing sectors in terms of the potential to attract investments and create jobs. International tourism arrivals more than quadrupled from 205,000 in 2001 to 945,000 in 2010. The sector's impact on the economy is significant, with tourism's total contribution

[8] Note that this cost arises from the license fees and administrative charges related to obtaining all licenses identified by the inventory exercise. The relationship to national GDP emphasizes the magnitude of the burden to compliant businesses.
[9] Source: *Statistical Abstract, 2011* – GDP at constant prices.
[10] Source: *An Assessment of the Investment Climate in Uganda* (2009).

estimated at US$1.7 billion, representing 9 percent of GDP. Its direct and total employment are estimated at 225,300 and 522,000 jobs, respectively. However, Uganda is not realizing its full tourism potential in terms of value creation or employment generation. Uganda's tourism is constrained by low capacity of tourism workers, persistent gaps in the policy and institutional framework, minimal marketing and promotion activities.

16. **The lack of training and consequently the poor capabilities of Uganda tourism workers have been repeatedly cited as binding constraints for the industry, limiting its employment generation opportunities**.[11] The World Economic Forum's (WEF) Travel and Tourism Competeviness Index (TTCI) rated Uganda 114 and 115 (out of 139 countries) in education and training together with availability of qualified labor for this sector. The most important institution for hospitality and tourism training in Uganda is the Hotel and Tourism Training Institute (HTTI). This public institute is in need of major structural and equipment upgrades and enhancement of staff capacity. Without support, the perpetually underfunded institute will not be able to produce a sufficient number of graduates with the skills the industry demands. This means that service quality will suffer, businesses will be forced to pay high fees for foreign labor, and career opportunities for Ugandans will be lost.

Government Reform Program and the Rationale for World Bank Group (WBG) Involvement

17. Although significant progress has been made by the Government of Uganda (GoU) in improving the business environment with support from the World Bank and other donors, there are still a number of weaknesses (constraints) that this operation seeks to address.

Land Administration Reform:

18. **From 1971 through 1986, when the current regime took over, Uganda went through a prolonged period of poor governance, with military regimes and civil war destroying its economy, infrastructure, and institutions**. Rehabilitation of the land sector started in 2002 with the initiation of the 10-year Land Sector Strategic Plan (LSSP 2002-2012). LSSP had five objectives: (1) creating pro-poor land policy and regulations; (2) putting land to sustainable productive use; (3) providing more equitable distribution and secure access to land for vulnerable groups to improve livelihoods; (4) improving accessibility and availability of land information for planning and implementing development programs; and (5) providing transparent, accountable, and efficient decentralized land administration systems.

19. **Due to lack of funding, actual implementation of the LSSP started only in 2005 when a World Bank-funded project was initiated**. With World Bank assistance, the GoU started addressing the inefficient administration and poor security of the country's land registration system, while also updating and strengthening the policy and regulatory framework for land management and administration. The land subcomponent of the Second Private Sector Competitiveness Project (PSCP II) primarily dealt with objectives (4) and (5) of the LSSP and supported the rehabilitation/construction of 13 local land offices (including the provision of equipment); the re-engineering and computerizing of land registration systems and records in six

[11] Source: *Uganda Tourism Sector Situational Assessment: Tourism Reawakening.* The World Bank. May 2012.

zonal land offices covering about 70 percent of the formal land market transactions; and rehabilitating the Institute of Surveying and Land Management, and training and equipping staff to run the systems and institutions. The project achieved significant progress in the areas of decentralizing and computerizing land registration systems. In particular, the intervention resulted in a reduction in the number of days to transfer property from 227 in 2006 to 52 in 2012 (see *DB 2013*). In addition, the initiative also rehabilitated the geodetic reference network and produced multi-purpose base maps for the areas covered by the six zonal land offices.

20. **The PSCP II also supported the preparation and adoption of the overarching policy framework for land administration and management**, which is essential for addressing the first three objectives of LSSP, which deal with equitable and secure access to land and its productive use and pilot activities. Notable achievements were the support for: the National Land Policy, which was approved by the Cabinet in February 2013; the National Land Use Policy, which was adopted in 2007, followed by enactment of the Physical Planning Act 2010; the Mortgage Act 2009; and the Land (Amendment) Act 2010 to reduce illegal evictions. In addition, support was given to the preparation and drafting of nine bills, including the Registration of Titles Bill, the Land Survey Bill, the Land Surveyors Registration (Amendment) Bill, the Real Estate Agents Bill, the Condominium Property (Amendment) Bill, the Land Acquisition Bill, the Government Lands Bill, the Local Governments Rating Bill, and the Uganda Land Information Systems Bill. These bills are being finalized and processed for adoption; their implementation will be supported under the proposed project.

21. **The piloting supported by the PSCP II included**: systematic titling of high-value rural land in Ntungamo, Iganga, and Mbale districts using best practice, low-cost, and transparent approaches – average registration costs were reduced from more than US$200 to about US$23 per land parcel (compared to US$25 in Thailand which is known as best practice); and identification and surveying of government-owned land with a view to improving its management – the piloting was hampered by procurement problems but it succeeded in surveying 1,086 government land parcels in four districts and also generated lessons that will inform future efforts (e.g., the need to exclude public sector functions from private contracting). While not directly supported by the PSCP II, some initiatives were undertaken to demarcate and register communal land especially in Northern Uganda under communal land associations as provided for by the Land Act 1998 – more than 50 communal land associations (CLAs) were organized, of which about 10 have been registered. These pilots will be scaled up under the proposed project.

22. **It should be noted that additional interventions are needed to support implementation of the LSSP's strategic objectives, which have been grossly underfunded**. Out of the required US$80 million to implement the LSSP, the PSCP II contributed about US$30 million, the funds available at that time; no other donor funding has been provided except for minimal Technical Assistance (TA) from the Department for International Development (DFID).

23. **This project will address those issues which have been highlighted as priority areas for action in the second LSSP (2013-2022) and require a major boost, but have so far remained unfunded due to financing constraints**. Such key areas include: registration/certification of communal lands in the North and East; registration of 15 million

individual land parcels all over the country; piloting and scaling up improved land use planning models in strategic areas; and strengthening land dispute resolution. Interventions in these areas would help address a number of land administration issues including: (i) low documentation of land rights in rural areas – only 5 percent of rural land is registered and only 18 percent countrywide, leaving the vast majority of landholders vulnerable to land grabbing; (ii) a high level of land disputes; (iii) an inefficient land administration system that lacks transparency; (iv) a dysfunctional land use planning system; and (v) a high level of informality in urban areas, with about 60 percent of the urban population living in slums.

Business Registration and Business Licensing Reforms:

24. **The reform of the business licensing and permitting regime was initiated in 2010 with the support of the Uganda Investment Climate Program (UICP)**[12] **which is an example of successful collaboration between the World Bank and International Finance Corporation (IFC)**. The licensing effort for the government was supported through funds provided by the PSCP II. The Ministry of Finance Planning and Economic Development (MoFPED) appointed a high-level inter-ministerial Business Licensing Reform Committee (BLRC) to implement these reforms. The BLRC presented its recommendations on the reform of the business licensing regime to the MoFPED in March 2012. Out of the 780 licenses identified in the inventory, BLRC recommended eliminating 47 licenses, streamlining 305, and creating an online "e-registry" of valid licenses. The recently delivered *Business Licensing Reforms Recommendations Report*[13], which aims at a reduction of the cost of compliance with business licensing, will be implemented under this project. A business licensing e-registry will be developed as the sole repository of all approved business licenses in Uganda.

25. **A Memo on business licensing was prepared for the Cabinet's consideration**. Cabinet endorsement of the Memo provisions is important for the continuation of the implementation of the business licensing reforms because it: (i) sets the competence of the URSB for establishing and hosting the e-registry of business licenses; and (ii) approves the recommendations for simplification and elimination of unnecessary licenses which then need to be implemented by the line ministries.

26. **Significant support has also been provided by the WBG for improvement of business registration regime in Uganda**. Under the PSCP II, the URSB was provided with computers and equipment to support data entry. It is now being assisted in designing its operational model, internal procedures, and regulations, and in outlining information systems requirements The cost of business registration in Uganda has already decreased from 84.5 percent of gross national income (GNI) per capita in 2012, to 76.7 percent in 2013 as the result of implemented activities. An improved business registration process could stimulate formalization of MSMEs, which in turn has the potential to reduce poverty through expanded employment, to increase the access of MSMEs to financial/ technical services, and to increase tax revenue. However, there is opportunity for further streamlining of the business registration process (see Annex 9). This project aims to implement these measures through the establishment of a one-stop-shop for business registration within the URSB.

[12] See Annex 11 for more information on the ongoing Business Licensing Reform.
[13] Republic of Uganda, *Business Licensing Reforms*, 2012.

Support to the Development of High-Impact Clusters:

27. **The GoU developed the Second Competiveness and Investment Climate Strategy (CICS II) 2011 – 2015,[14] which establishes the development of vibrant growth clusters as Uganda's top priority**. Rather than spreading resources thinly across many sectors, a value chain approach is to be employed for selected high-impact clusters. CICS II identified five priority agricultural clusters (coffee, grains and pulses, horticulture, edible oils, fisheries) and two non-agricultural clusters (tourism and information technology/business process outsourcing). This project will provide funding to support TA in management and production techniques for the stakeholders in a number of high-potential subsectors identified by CICS II, as a continuation of a successful matching grant facility implemented by Business Uganda Development Scheme (BUDS) as part of the PSCP I and II. The project will also support the tourism sector on several dimensions: macro-level interventions will be complemented by micro-level support to tourism businesses in the form of matching grants.

Competitiveness and Enterprise Development Project (CEDP) Framework

To address both business environment and growth cluster development challenges per the GoU reform program, two major categories of activities will be undertaken as part of the Competitiveness and Enterprise Development Project (CEDP):

(i) *Cross-cutting/horizontal investment climate reforms* will improve the legal and regulatory framework and lower the costs of doing business (land administration reform and business licensing and business registration reform) for all sectors of Uganda's economy; and

(ii) *Vertical interventions to improve the competitiveness of selected high-impact clusters will*:

a. Support the development of the *tourism industry*, one of the fastest growing and highest potential sectors in Uganda; and
b. Enhance the competitiveness of *exporters of non-traditional products*[15] by providing matching grants to enterprises in the high-potential subsectors identified by the CICS II.

28. **A significant economy-wide impact is expected from the interventions.** Table 1 summarizes the expected impact of the components of the project on different sectors of the economy. Significant synergies can be achieved by making interventions in all of the areas proposed.

[14] Uganda Competitiveness and Investment Climate Strategy (CICS II) 2011-2015: Ministry of Finance Planning and Economic Development.

[15] Traditional exports include products which have historically featured as Uganda's as primary/raw material exports, while non-traditional exports are export products other than traditional (e.g., horticulture, tourism, IT). Source: Uganda Export Promotion Board website

Table 1: CEDP Framework – Main Target Sectors

Activity Category	Component	Sectors					
		Tourism	***Agriculture***	***Agribusiness***	***Manufacturing***	***Construction***	***Trade***
Cross-cutting Business Environment Reforms	***1.1. Land Administration Reform***	X	X	X	X	X	X
	1.2. Business Registration and Business Licensing Reforms	X	X	X	X	X	X
High-Impact Clusters	***2. Tourism Competitiveness Development***	X		X		X	X
	3. Matching Grant Facility	X	X	X			X

C. Higher Level Objectives to which the Project Contributes

29. **The proposed project is included in the current Country Assistance Strategy (CAS) of 2010-2015.** CAS Outcome 1.1 on the improved conditions for private sector growth includes projected International Development Association (IDA) support to be provided for scaling up the land reform component and financing activities to increase tourism, youth employment, and exports of non-traditional products. The project is also linked to CAS Outcome 1.3, which deals with increased productivity and commercialization of agriculture, as support will be provided in an effort to increase exports of non-traditional products. Finally, the project is aligned with the first pillar of the World Bank Africa Strategy: enhance competitiveness and employment.

30. **The proposed project complements several partnerships with various donors and World Bank-financed projects.** The World Bank currently chairs the Private Sector Donor Group, which meets once a month to discuss and coordinate all private sector development activities in the country. Building partnerships and leveraging resources are crucial for the successful design and implementation of this operation. A large number of donor programs complementary to this project are currently being implemented in Uganda's private sector (Annex 7). For example, Danish International Development Agency (DANIDA) supports value chain development for a number of commodities and the European Union (EU) provides support for the development of MSMEs. The United Nations Development Programme's (UNDP) project "Supporting Strengthening of Tourism Policy and Regulatory Environment" is working on a tourism master plan. The United States Agency for International Development (USAID) supports a project on "Tourism for Biodiversity and Economic Growth." These interventions will all greatly complement the project activities. Partnerships are being sought with a number of organizations and donor countries, such as IFC, DANIDA, Norway, USAID, UNDP, DFID, Belgium, and the EU.

31. **The proposed project builds upon the PSCP II, which helped improve the business environment** by: decreasing policy constraints; strengthening institutions, such as the Private Sector Foundation Uganda (PSFU); enhancing the private sector dialogue; and providing support to firms. The PSCP II was private sector-driven and achieved the following: a total of 2,700 people, 40 percent of whom were women, were trained in different skills; eight new product brands were created and have already penetrated foreign markets; the land survey school was rehabilitated and re-opened; the land information system (LIS) was developed, installed and operated in an area that covers about two thirds of Uganda's formal land markets; and 13 zonal land offices were built. Annex 14 provides additional details on the results achieved by PSCP II.

II. PROJECT DEVELOPMENT OBJECTIVES

A. PDO

32. **The development objective of the project** is to improve the competitiveness of enterprises in Uganda by providing support for: (i) the implementation of business environment reforms, including land administration reform; and (ii) the development of priority productive and service sectors.

33. **Business environment reforms will be implemented, *inter alia*, in the areas of land administration, business registration, and business licensing**. Land administration reform activities will support the continuation and scaling up of the land reforms carried out under the previous operation (PSCP II) and will help increase land tenure security and reduce the time taken to transfer land. Reforms aimed at simplification of business registration and business licensing procedures will help lower the costs of doing business, thereby making firms more competitive.

34. **The project will support the development of priority sectors identified in CICS II 2011-2015 (such as tourism and exports of non-traditional products)**. A matching grants facility in priority sectors will be established to help increase exports and create new jobs. Assistance to the tourism sector will address persistent constraints through skills enhancement, product and labor force development.

B. Project Beneficiaries

35. **The primary direct project beneficiaries are both existing and future entrepreneurs conducting business in Uganda and owners of land that will be registered by the project**. All entrepreneurs will benefit from the cross-cutting business environment reforms (land administration, business registration, and business licensing reforms). Specifically, they will be able to register a new business and obtain necessary licenses for their business more quickly and effectively. They will also have improved land security and will be able to transfer land in less than 30 days (for the stock of registered land). Moreover, opportunities for rent-seeking by government officials will be reduced. MSMEs will particularly benefit from these reforms, considering that they have much higher costs of complying with burdensome regulations and procedures, since they do not have the appropriate infrastructure to absorb such costs. Entrepreneurs in priority high-potential subsectors will also benefit from additional activities implemented as part of the project, such as tourism sector development initiatives and a

matching grant facility for matching grant beneficiaries to procure business development services. The project will specifically provide support for labor force development in tourism. This will open opportunities for tourism workers to engage in the many entrepreneurial activities the industry has to offer. Nearly 600,000 landowning households especially in rural areas will benefit from the registration of 900,000 plots of their land, with associated reduction in land disputes that are estimated to reduce agricultural productivity by about 10 percent[16].

36. **Relevant government agencies will also benefit from the activities implemented as part of the project**. For example, relevant ministries will have more up-to-date and reliable information on businesses to strengthen their policy functions. Collection of license fees will be improved as a result of the business licensing reforms. TA provided as part of the project will also help to improve the skills of the Ministry of Tourism, Wildlife and Antiquities (MoTWA), the Uganda Tourism Board (UTB), and HTTI instructors.

C. PDO Level Results Indicators

37. The PDO Level Results Indicators are:

- Reduction in the number of days to register land.
- Reduction in time (days) and cost (as a percent of income per capita) to register a business.
- Increased international tourist arrivals.
- Tourism sector employment.
- Increase in exports of non-traditional products.
- Direct project beneficiaries (number), of which female (percentage).

III. PROJECT DESCRIPTION

A. Project Components

38. **The components to be funded for the total amount of US$100 million under the project include**:

- **Component 1**: Land Administration Reform **– US$54 million** (as a continuation of the successful efforts implemented under PSCP II).
- **Component 2**: Business Registration and Business Licensing Reforms **– US$10 million** (carried out in collaboration with the Investment Climate Department).
- **Component 3**: Tourism Competitiveness Development **– US$25 million**.
- **Component 4**: Matching Grant Facility **– US$8 million**.
- **Component 5:** Project Implementation **– US$3 million** (out of which Project Management of Land Administration Reform component will utilise **US$1 million**). Government of Uganda will contribute US$2.5 million in local currency for local costs during implementation.

[16] Deininger, Klaus and Castagnini, Raffaella, (2006). "Incidence and impact of land conflict in Uganda." *Journal of Economic Behavior & Organization*, Elsevier, Vol. 60(3): 321-345, July.

Component 1: Land Administration Reform (US$54 million)

39. **This component will fund the continuation and scale-up of the land reform process carried out under the PSCP II.** As described in detail in Annex 2, the LSSP 2 is under preparation and the land component of CEDP is expected to support its implementation by:

(a) **Subcomponent 1: Improving land administration (US$28.9 million)** through:

(i) Construction of zonal land offices in Kabale, Luwero, Mityana, Mpigi, Moroto, Rukungiri, Soroti, Mukono and Tororo;

(ii) Developing and implementing a land information system incorporating registration, valuation and physical development planning functions in all zonal land offices (including conversion of associated land records);

(iii) Strengthening land use planning functions, including, development of geographic information system data bases and systems and preparation of physical development plans at the national, regional, district and local levels;

(iv) Strengthening land valuation functions, including, reviewing the policy and legal framework, developing valuation data bases and systems and collecting necessary field data, developing capacity in the public and private sectors, and improving land registration processes;

(v) Developing a policy and legal framework for land-related housing and urban development and designing programs for implementation;

(vi) Developing and implementing policies for a geodetic reference framework, national spatial data infrastructure and mapping; Updating and implementing the horizontal geodetic reference framework including two continuously operating reference stations;

(vii) Strengthening the capacity of the survey and mapping department for carrying out surveys and managing acquisition and processing of spatial data;

(viii) Producing and disseminating base maps for land administration;

(ix) Conducting a comprehensive review of the legal, institutional and operational aspects of the Uganda Land Commission to identify gaps and making recommendations for improvement; and

(x) Provision of technical advisory services for carrying out an inventory of public land.

(b) **Subcomponent 2: Undertaking systematic registration of communal and individually owned land (US$14 million)**, in particular: (i) establishing communal land associations (CLAs) in priority areas including the Northern and Eastern Regions; (ii) demarcation and registration of communal lands in said priority areas and issuance of titles to said

CLAs; and (iii) demarcation and registration of individual lands in rural and peri-urban areas (including issuance of titles to said individuals).

(c) **Subcomponent 3: Implementing a program of actions for strengthening institutions and mechanisms for land dispute resolution (US$5 million)**, in particular: (i) conducting a review of the Judiciary's rules and procedures for adjudication of land disputes to identify gaps and making recommendations for improvement; (ii) strengthening the capacity of the Judiciary and other land agencies for implementing alternative dispute resolution and mediation programs; (iii) compiling and disseminating material on land laws and related documents; (iv) provision of training to the Judiciary and other land tribunals; and (iv) conducting a comprehensive review of the legal, institutional and operational framework of land tribunals to identify gaps and make recommendations for improvement.

(d) **Subcomponent 4: Implementing a program of actions for strengthening land administration and management institutions (US$6.1 million)**, in particular: (i) conducting a comprehensive review of the organizational structure and capacities of land administration and management institutions to identify gaps and making recommendations for improvement; (ii) conducting an assessment of other public and private land sector institutions to identify skill gaps and implementing capacity development programs; (iii) constructing a dormitory and multi-purpose hall for the institute of survey and land management and equipping said institute with instructional equipment; (iv) developing and implementing gender[17], civil society engagement and communication strategies; and (v) provision of technical advisory services for said purposes.

<u>**Component 2: Business Registration and Business Licensing Reforms (US$10 million)**</u>

40. **This component aims to reduce the burden for businesses in dealing with registration and licenses procedures** by creating an online one-stop-shop for business registration and an e-registry for business licensing, and by implementing measures aimed to simplify and streamline business registration and business licensing procedures.

41. **With the support of the IFC/IC and FPD team, GoU developed a road-map to guide implementation of the licensing reforms and also appointed a high level committee headed by the private sector to oversee the reform process**. The Business Licensing Reform Committee (BLRC) accomplished its tasks within a year of its appointment leading to the commencement of the reform exercise in June 2012. The IFC/IC and FPD teams have also supported GoU on Business Registration reforms by identifying the needs and benchmarking them.

42. **This component will be supported jointly by the World Bank and IFC and build upon successful collaboration in the UICP and will be complemented by the Regional**

[17] A gender promotion strategy developed within the first year will be aimed at promoting gender equity in land registration

Communication Infrastructure Project (RCIP) under preparation. RCIP will support e-government application and will include e-payment and authentication.

43. **This component will finance the following activities**:

(a) **Strengthening business registration institutions and processes (US$8.5 million)**, in particular: (i) construction of a central office for URSB; (ii) establishing an e-registry for business licensing, including, an appropriate technology platform and software application; (iii) establishing a one-stop shop for business registration, including, a network of local and regional offices; (iv) streamlining business registration and licensing procedures (and eliminating unnecessary procedures); and (v) carrying out of an impact assessment of said reforms.

(b) **Implementing capacity building activities for URSB and other relevant regulatory agencies' staff (US$0.5 million)**.

(c) **Developing and implementing an information, education and communications strategy** (including conferences, seminars and consultations portal) for purposes of this component of the project **(US$1 million)**.

Component 3: Tourism Competitiveness Development (US$25 million)

44. **The goal of this component is to provide support to the tourism sector through strengthening public and private sector stakeholders and their collaboration to develop a competitive tourism offering**. The activities implemented in this component will include:

(a) **Development of labor force for the tourism sub-sector (US$12 million)** through the following: (i) construction of a hotel and tourism training institute and equipping said institute with instructional facilities and materials; (ii) provision of training for said institute's instructors and administrators; (iii) reviewing and accrediting said institute's curricula and instructional programs; and (iv) developing and implementing a sustainable business model[18] including a revenue generation strategy for said institute.

(b) **Strengthening the capacity of the MoTWA and UTB (US$3 million)**. A number of skills enhancement activities will be provided to support the MoTWA, including: (i) developing technical skills of tourism sector staff; (ii) tracking tourism sector performance (including collecting, analysis and dissemination of appropriate data); (iii) designing and implementing a lodging classification and grading system; and (iv) implementing relevant policies, including, the national tourism levy.

(c) **Tourism product planning, packaging, and promotion (US$10 million):** A competitive and economically productive tourism sector requires strengthening the value chain by building supply and demand. With its support to tourism planning, packaging,

[18] Annex 8 provides a detailed description of challenges faced by HTTI and proposed interventions to address them

and promotion, CEDP will enable strengthening of tourism sector competitiveness through: (i) developing and implementing tourism products; (ii) developing and implementing tourism value chain packages and supporting linkages between public and private sector entities; (iii) developing and implementing marketing and promotion materials for said sector; and (iv) strengthening the capacity of sector institutions/agencies including UWA and UTB.

Component 4: Matching Grant Facility (US$8 million)[19]

45. **This component entails provision of Matching Grants to Matching Grant Beneficiaries** for implementing business development services (BDS)[20], including, among others, technology improvement, management training, record keeping, quality certification and marketing, in priority sub-sectors namely: tourism; coffee; grains and pulses; horticulture; edible oils; fisheries and information technology/business process outsourcing. Annexes 2 and 12 provide an overview of the performance of these subsectors in Uganda and the rationale for project activities.

Component 5: Project Implementation (US$3 million[21])

(a) **Strengthening the capacity of the PSFU for overall coordination and management of activities** (including procurement, financial management, environmental and social safeguards, monitoring and evaluation, supervision and reporting aspects) through provision of technical advisory services, goods, non-consulting services, Training and Operating Costs.

(b) **Strengthening the capacity of the MLHUD for overall coordination and management of activities** (including procurement, financial management, environmental and social safeguards, monitoring and evaluation, supervision and reporting aspects) through provision of technical advisory services, goods, non-consulting services, Training and Operating Costs.

(c) **Strengthening transparency and governance arrangements for the project**, in particular: (i) conducting a diagnostic on governance capacities of implementing agencies; and (ii) conducting monitoring and evaluation, all through provision of technical advisory services, goods, non-consulting services, Training and Operating Costs.

(d) **Developing and implementing an information, education and communications strategy for the project**.

---

[19] This amount includes costs of managing this component (estimated at US$ 1.0 million)

[20] BDS are a binding constraint for MSME development, as indicated in the first Uganda Economic update, "Bridges Across Borders, Unleashing Uganda's Regional Trade Potential," World Bank, February 2013.

[21] The GoU contribution to Component 5 is an additional US$ 2.5 million for local costs. Part of this amount will be used to fund the RAP if needed

B. Project Financing

Lending Instrument

46. **The project will be financed by a Specific Investment Loan (SIL) in the amount of US$100 million equivalent**. The SIL will be financed by an IDA credit on standard IDA terms (40 years, 10-year grace period) to the Republic of Uganda. The GoU will contribute US$2.5 million equivalent towards the Project Implementation component.

Project Cost and Financing by Component

Project Components	**Project Cost (US$million)**	**IDA Financing**	**Percent IDA Financing**
1. Land Administration Reform	54	54	100
2. Business Registration and Business Licensing Reforms	10	10	100
3. Tourism Competitiveness Development	25	25	100
4. Matching Grant Facility	8	8	100
5. Project Implementation[22]	3	3	100
Total Baseline Costs	100	100	100
Total Project Costs	100	100	100
Interest During Implementation	-	-	-
Front-End Fees	-	-	-
Total Financing Required	100	100	100

C. Lessons Learned and Reflected in the Project Design

47. **The project's design incorporates lessons learned from previous private sector development initiatives in the Republic of Uganda and similar operations throughout the region**. Because the project involves reforms in several specific areas of private sector development, it incorporates lessons learned from specific projects in these areas, including land reforms and reforms in business registration and business licensing, as well as in tourism sector development. It also builds upon experience with the matching grants program in Uganda and those in other countries. Annex 14 provides a detailed overview of the lessons learned from the implementation of the PSCP II.

48. **For reforms to be successful, they must have the buy-in of not just the government but the private sector as well**. To ensure that the systems implemented under the project (e.g., the one-stop-shop for business registration and business licensing) reflect the concerns and needs of the relevant stakeholders, consultations with the private sector were carried out during the design phase. Reforms will also be underpinned by surveys and quantitative methods and will be

[22] Component 5 funds will be used to finance project management of Land Administration Reform Component in the amount of US$ 1 million. The GoU contribution to Component 5 is an additional US$ 2.5 million for local costs. Part of this amount will be used to fund the RAP if needed.

closely monitored by the public and private sectors. Collaboration between the public and private sectors in tourism is crucial to success. Project activities will enhance technical capacity and cooperative programs across both sectors, especially in product planning, packaging, and promotion.

49. **A number of lessons can be drawn from the considerable piloting of innovations and the implementation of land administration reforms globally, and in Uganda especially, under the land reform component of the PSCP II**. First, a thorough review of the legal, policy, and institutional framework is essential for providing the basis for any World Bank-financed land administration project/component. Second, success and sustainability of land administration reforms require a long-term perspective, political commitment, and concerted support from development partners; in Uganda, the 10-year LSSP has proven to be an effective vehicle for mobilizing political commitment and donor support for land administration reforms. Third, computerization of re-engineered land administration systems and work flows has proven effective in increasing efficiency (reducing transaction time and costs) and transparency in land administration. Fourth, global experience, especially in Mexico and Tanzania, suggests that communal lands can be registered quickly and cost-effectively. Fifth, individual land rights can be registered effectively, quickly, and inexpensively using a base map, as in Rwanda, or without a base map, as in Ethiopia. These and other lessons have been reflected in the design of the land administration reform component of this project.

50. **Over the last few decades, the importance of efficient business registration procedures has been widely recognized.** A business registration regime that is simple, secure, transparent, and predictable helps promote formalization as well as job creation. A modern business registration system comprises a centralized electronic database of all registered businesses, is accessible to the public, and contains accurate data. It should enable the submission of one application form for all business registration procedures and enable the electronic exchange of data between all relevant institutions. Therefore, an integrated approach to establishing a one-stop-shop for business registration is essential to lead to significant impact, and this involves not only changing the regulatory framework but also redesigning the institutional and ICT frameworks. This reform will not only ease the burden of regulatory compliance for businesses, but will also give ministries and other users up-to-date and reliable information on businesses to help them carry out their policy functions, and will assist market participants by improving information on businesses. Finally, this reform is also relevant in the context of the East African Community’s (EAC) ongoing activities related to the implementation of the Common Market Protocol, and the need to establish interconnections, exchange of data, and mutual recognition of registration documents between the business registries of member states.

51. **Business licensing represents a significant barrier to doing business in many countries, which is why in past decades there has been increased focus on a strategic approach to implementing overall business licensing reforms**, **rather than focusing on a few priority regulatory constraints**. Business licensing reforms have been one of the key products within the Investment Climate programs implemented in Africa, and significant experience has

been gained in implementing such reforms.[23] In the region, overall business licensing reforms have been implemented or initiated in Kenya, Zambia, Mozambique, and Rwanda. The business licensing reform in Uganda was initiated under the UICP,[24] and its activities are the basis for undertaking the interventions envisaged under this project.

52. Skills enhancement is another key success factor for any business regulatory reform. Even with the existence of a good legal framework and a modern ICT system, if stakeholders do not know how to use the system, the reform will have little impact. A good skills enhancement program is an integral part of any business regulatory reform. The project will include skills enhancement and dissemination.

53. **The success of previous tourism development initiatives underscores the role of diverse factors.** These include: political will to achieve short-, medium-, and long-term goals; participatory planning at all levels; a legal and regulatory environment that levels the field for investment opportunities; existence of a market-driven mix of human resources with sector-specific skills; and coordinated public and private sector investments over time. The cross-sectoral nature of tourism requires financial and economic diagnostics and analysis as well as social, cultural, and environmental assessments – all of which are critical underpinnings of any tourism-related development. Consequently, tourism development interventions have been found to be most effective when buttressed by establishment of an adept public/private sector framework. Lessons learned from tourism interventions in projects across Africa and other regions (i.e., Europe, Latin America, and Asia) have informed the design of Component 3 in particular.

54. **The Tourism Competitiveness Development component, in addition to drawing on lessons learned from other tourism projects, is particularly guided by two recent diagnostic studies prepared with World Bank support** in response to requests by MoTWA: *"Uganda Tourism Sector Situational Assessment: Tourism Reawakening"* (completed in 2012 with DFID support) and *"Supporting the Uganda Tourism Sector through the Competitive Enterprise Development Project"* (2013). In addition, the project will particularly benefit from the completion of the *Uganda Tourism Master Plan* currently under preparation for MoTWA with support from UNDP.

55. **In designing the Matching Grants Facility component, the project draws on the successful experience of similar projects implemented in Uganda and other countries**. Experience with matching grants and voucher programs in other countries shows that in some cases where the private sector contributes to the cost of TA (on at least a 50:50 basis), programs tend to encourage the continued use of technical support and the development of local consulting firms. It has also been determined that transparency must be included in the program (e.g., whenever grants are awarded, the information should be publicized). Promoting awareness on program details is crucial to prevent fraudulent practice. It is also necessary to have a team of business advisors retained at the implementing agency to give ongoing support to the scheme. A successful matching grant facility implemented by BUDS was part of the PSCP I and II, and the

[23] See also: *How to Reform Business Licenses*, ICAS, World Bank Group, 2010.
[24] This program is an example of successful collaboration between the World Bank and IFC.

current project will build on the successful practices of these operations. The project will also leverage the experience of the matching grant subcomponent of the Mozambique Competitiveness and Private Sector Development Project, as well as the recommendations contained in a recent World Bank policy research paper.[25]

56. **Finally, as evidenced by the lessons learned from similar private sector development operations, keeping track of the success of reforms through a proper data collection process, pre- and post-reform, is important as it helps identify whether ongoing reforms are sufficient**. Comparison of pre- and post-reform data will allow the government to evaluate the success of reforms in reaching its goals.

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

57. **The CEDP will be implemented by PSFU and the Ministry of Lands, Housing and Urban Development (MLHUD)[26] and PSFU will have the overall responsibility of project coordination[27].** The PCU will be established in PSFU to be responsible for the implementation of three components: Business Registration and Business Licensing Reforms;[28] Tourism Competitiveness Development[29]; and the Matching Grant Facility. The MLHUD will be responsible for implementation of the Land Administration Reform component.

58. **The MoFPED will formally delegate responsibility for project implementation to PSFU and the MLHUD.** The assignment of implementation functions and the transfer of funds to PSFU will be detailed in a subsidiary agreement to be signed by the government and PSFU[30] as detailed in Annex 3.

59. **The performance of the PSFU and MLHUD as project implementers will be re-assessed at the time of the mid-term review**. If the PSFU and MLHUD performance is not satisfactory (less than 60 percent implementation of the agreed work program) then the Government in agreement with IDA will assign another organization(s) to implement the project. If there are reported cases of fraud and corruption, IDA will halt disbursements to the agency implementing the affected activity until the cases are resolved.

---

[25] *Learning from the Experiments That Never Happened. Lessons from Trying to Conduct Randomized Evaluations of Matching Grant Programs in Africa.* The World Bank Development Research Group. Policy Research Paper 6296. December 2012.

[26] Project Management of Land Administration Reform component is allocated US$1 million

[27] Please refer to Annex 3 for the description of implementation arrangements

[28] The POM will specify a substantial role for URSB in the project preparation (e.g., providing all of the technical specifications, participation in the evaluation).

[29] PSFU will implement the Tourism Competitiveness Development component working with the Director of Tourism, Wildlife and Antiquities at MoWTA, the Principal of HTTI, the Executive Director of UTB, and the Executive Director of UWA.

[30] The proposed arrangement is similar to the one used in the PSCP II.

60. **PSFU has prior experience in implementing World Bank-financed projects, as it was the implementing agency for the World Bank-financed PSCP I and II projects**. Although two years ago under the PSCP II, the Institutional Integrity Vice Presidncy (INT) established that there was fraud and corruption in procurement processing, leading to the debarment of eight firms and six individuals, PSFU has successfully addressed these challenges. The procurement specialist and project manager solely responsible for the fraud were removed. Subsequently, PSFU put in place a strong governance mechanism, including a board projects subcommittee, an audit committee, and a Contracts Committee. This has led to better project implementation and PSFU's track record for the last two years has been unblemished. Its board monitors project implementation by receiving monthly reports on the project.

61. **The MLHUD is the implementing agency for a new World Bank-funded Uganda Support to Municipal Infrastructure Development Program for Results operation and a Trust fund Cities Alliance program**. Although the MLHUD currently has weak contract management capacity and there are delays by technical departments in making their contribution to procurement processing, this will be addressed by hiring additional staff to support the Ministry in implementing the project.

62. **Project experts contracted by the MLHUD and the PCU will provide ongoing support to project activities, including those related to M&E of project results during implementation and safeguards-related work.** These experts will include a project manager, a procurement specialist, a financial management specialist/accountant, a matching grants specialist, civil engineers, quantity surveyors, a clerk of works, an environmental specialist, a tourism development specialist, and an internal auditor.[31] To strengthen and complement the capacities of PSFU and the MLHUD, the component will support staffing of these institutions to strengthen project-related operational requirements and procurement and financial management systems. Where adequate skills are available within the implementing agency, no new recruitments will be carried out. The details of the implementation arrangements will be provided in the POM.

63. **Fiduciary aspects of the project will be managed by the Executive Director of PSFU and the Permanent Secretary of the MLHUD**, who will also be responsible for: (i) project financial management, including project accounts, payments, disbursements of IDA funds, project budgeting, and auditing; (ii) procurement; (iii) monitoring of project progress and evaluation of results; and (iv) reporting to the GoU and IDA. The financial and procurement assessments of the project are detailed below.

64. **To ensure proper coordination and supervision of the project, a Project Steering Committee (PSC) will be established to provide policy guidance and oversight and a Project Technical Committee (PTC) to provide day-to-day technical guidance and supervision of the project activities**. The PSC and PTC will be established by effectiveness.

[31] Certain experts will be contracted only by PSFU (i.e., matching grants specialist, tourism development specialist) or only by the MLHUD (i.e., additional engineers, quantity surveyors, a clerk of works). Other experts will be needed to build the capacity of both agencies, so separate experts will be contracted by each (e.g., financial management specialist, procurement specialist).

- **The PSC's scope of work will be to provide strategic guidance and to review and take action on reports submitted by the PTC.** The PSC will meet quarterly. It will be chaired by the Permanent Secretary/Secretary to the Treasury and will comprise of Permanent Secretaries from ministries responsible for the respective project components and private sector representatives.

- **The PTC, whose secretariat will be at PSFU, will be responsible for overall project implementation**, including: (i) development and approval of annual plans for project activities, a project budget, and a consolidated procurement plan, as well as regular reviews of M&E data to determine progress and make adjustments, if need be, to ensure satisfactory achievement of end-of-project outcomes; (ii) consensus building on key policy issues related to implementation; and (iii) monitoring of issues related to implementation of reforms and safeguards work. The PTC will comprise the Executive Director of PSFU, the Executive Director of UWA, the Director of Tourism at MoTWA, the Executive Director of UTB, the Principal of HTTI, the Registrar General of URSB, and the Director of Land Management. The PTC will meet monthly and prepare quarterly reports to the PSC.

65. **To implement the Land Administration Reform component, an additional technical committee comprising technical heads of the Lands Registration, Land Administration, Surveys, and Mapping, Director of Housing, Physical Planning, Urban Planning, Land Valuation, and Land Commission will be established.** This committee will provide technical oversight to this project component[32]. The performance of the MLHUD will be evaluated semi-annually against agreed targets and reviewed by IDA. The procurement requirements for the Land Administration Reform will be undertaken by the project staff in the MLHUD under the supervision of the Permanent Secretary.

66. **The POM shall include provisions on the following matters**: (a) skills enhancement activities for sustained achievement of the Project's objectives; (b) a financial management plan, setting forth the detailed policies and procedures for financial management under the Project; (c) a procurement section setting forth the detailed policies and procedures for procurement management under the Project; (d) institutional administration, coordination and day to day execution of Project activities, and information on the safeguards work to be undertaken under the project; (e) monitoring and evaluation; (f) reporting; (g) information, education and communication of Project activities; and (h) such other technical and organizational arrangements and procedures as shall be required for the Project. The POM is currently being prepared and its final version is a condition for credit effectiveness.

B. Results Monitoring and Evaluation

67. **M&E of outcomes and results during implementation will follow the standard World Bank practice.** Annex 1 presents the Results Framework. The project staff will prepare quarterly reports with the result framework data to be reviewed by the Project Technical Committee and to be discussed during World Bank implementation support missions and with other project

[32] The same arrangement existed under the PSCP II. The MLHUD will submit semi-annual progress reports to the PTC

counterparts to assess progress against objectives and the need for any adjustments. A technical expert within the project staff will perform M&E of project results. Discussions during supervision missions related to institutional skills enhancement, financial viability, technical reviews, and site visits will provide effective means of monitoring progress.

C. Sustainability

68. **The project aims to support programs that will have a long-term impact on private sector development in the Uganda**. Land administration reforms implemented under the project will ensure sustainable land market development and open up significant opportunities for investment and job creation. Business registration and business licensing activities will help to reduce informal economy and contribute to creating business environment favorable for establishment of new businesses. The improved legal, regulatory, and supervisory environment as the result of the project will help to enhance the probability of long term stability and growth of Uganda's economy and ultimately make Uganda more attractive to potential investors. Tourism sector development initiatives and a matching grant facility for MSMEs to procure business development services will benefit entrepreneurs in priority high-potential subsectors.

69. **The GoU and its implementing agencies are committed to the proposed project activities.** The impact of support provided to public sector agencies is expected to continue well beyond the life of the operation.

70. **Substantial skills enhancement has been incorporated in the project to ensure sustainability.** The project will ensure that implementing agencies are able to maintain the systems implemented as a result of the project. The project will provide skills enhancement on every component, including for agencies involved in the land administration, business registration, and business licensing reforms and in tourism. The project will support ongoing maintenance costs associated with the various components during the five years of the implementation phase. After implementation, maintenance costs will be borne by the respective agencies.

V. KEY RISKS AND MITIGATION MEASURES

A. Risk Ratings Summary Table

Stakeholder Risk	Substantial
Implementing Agency Risk	
- Capacity	Substantial
- Governance	Substantial
Project Risk	
- Design	Substantial
- Social and Environmental	Moderate
- Program and Donor	Low
- Delivery Monitoring and Sustainability	Substantial
- Other – Monitoring & Evaluation	Moderate
Overall Implementation Risk	Substantial

B. Overall Risk Rating Explanation

71. **The overall risk rating for the project is substantial but considered manageable with mitigation measures in place.** PSFU already has experience implementing World Bank-financed projects and its capacity will be further strengthened. As indicated in more detail in the Operational Risk Assessment Framework (ORAF) in Annex 4, the following are the main risks and mitigation measures:

- **Political stability:** Uganda held elections in February 2011 and the current president, who has been in power since 1986, was re-elected. Civil disturbances have contributed to price increases. The most recent National Development Plan (NDP) was based on a broad-based consultative process and the GoU has stated its commitment to adhere to the NDP's key policy directions. The World Bank is working to strengthen accountability institutions and will continually adjust its lending program and choice of instruments to adapt to political realities.

- **Macroeconomic stability:** There is a risk that sound economic management could be compromised in Uganda as a result of the rapid increase in inflation, depreciation of the Uganda shilling, and possible lack of sound oil revenue management. The World Bank and IMF will monitor and engage in policy dialogue with the government. The GoU is also preparing a policy framework for oil revenue management with input from various donors, including the World Bank. The proposed project can help mitigate these risks by being the vehicle for government to provide assistance to MSMEs.

- **Fraud and corruption:** There are cases of both petty and high-level corruption in Uganda in all areas of Government, especially in accounts, procurement and public service delivery. The 2nd Public Procurement Integrity Survey (2010) reported that the majority of providers paid a bribe of 10-20 percent of contract value, an increase from the 7-9 percent reported in the 2006 survey. The PSCP II specifically faced several allegations of fraud and corruption, which necessitated the INT to investigate. A major component of the PSCP II was cancelled as a result of these allegations. While the government has a stated zero tolerance policy on corruption, several high-level officials implicated in corrupt activities have not been brought to court or have been released due to legalities. To address these challenges, the World Bank is collaborating with the GoU to reinvigorate key accountability institutions, including the IG.

- **Capacity gaps in implementing agencies:** During project implementation, individuals will be identified to fill these gaps in various areas (e.g., procurement, financial management, sector-specific). Provision of substantial training to the implementing agencies will enhance their ability to properly implement the project's activities. In addition, the project scope was streamlined and the activities proposed limited to ensure they will be aligned with available institutional capacity.

- **Political economy of land reform:** Political economy challenges of land reforms are significant, particularly given the cultural and ethnic bonds associated with land ownership in several parts of the country. Strategic communication, cultivating trust and adopting policies geared toward engendering government commitment to protecting land rights will be critical to ensure that the land reform component is successfully implemented. To mitigate these challenges, the project will finance diagnostics on political economy constraints in the land sector and will incorporate the findings, including any recommended mitigation measures in the project at or before mid-term review. In addition, other mitigation measures could be undertaken by development partners who will be co-financing the second LSSP (2013-2022) being finalized by the Government (on which the CEDP land component is based). Further, the CEDP being a repeater project following up on PSCP II, reflects lessons learnt during implementation as summarized in Annex 14

- **Sustainability of a one-stop-shop:** URSB currently does not have the right to retain its revenues and is dependent on budget allocations for its needs. This represents a significant risk for the sustainability of the one-stop-shop, considering that the URSB will not be able to invest in maintenance of the system or in its further development and upgrade nor to retain good staff to service the system. It will be necessary to make amendments to relevant legislation to enable the URSB to retain its revenue (or part of it) to ensure sustainability of the one-stop-shop system. In addition, when it comes to business licensing reforms, there is a risk that if there is no proper *ex ante* oversight and quality control mechanism in place, new unnecessary licenses and burdens will be reintroduced in the system. Also, if there is no system in place to update the e-registry of business licenses, there is a danger that it will become outdated.

- **Insufficient coordination between stakeholders under the project:** The multiplicity of sectors and actors could give rise to a lack of clear leadership and insufficient coordination, affecting project preparation, implementation, and outcome. To overcome this problem, overall responsibility for implementation will rest with the MoFPED, assisted by the participating line ministries. A PSC chaired by the MoFPED will be set up to guide the PTC on implementation.

VI. **APPRAISAL SUMMARY**

A. Economic and Financial Analyses

72. **The Project includes investments to increase tourism awareness and capacity, improve business environment and land administration, and provide business development services to support competitiveness, economic diversification, and job creation**. The economic analysis of this Project is built as a financial analysis with the estimated difference in cash flows to beneficiaries (tourism businesses and MSMEs, including new jobs created) accounted for as cash flows to the Project. The costs and benefits that are expected to accrue from Component 3 and Component 4 have been estimated and the Net Present Value (NPV) and the Economic Rate of Return (ERR) for the investments in these components were calculated. Details on these calculations are provided in Annex 16. The economic analysis of Component 2: Business Registration and Business Licensing Reforms presents a special challenge due to the indirect relationship between the business environment reforms supported under the Project and the stream of benefits that these are expected to trigger. In light of this, a literature review has been provided on the positive effects of business environment reform on business creation, SME development and growth.

73. **Overall project NPV is estimated at US$15.0 million at a 10 percent discount rate (with costs and benefits based on only components 1 and 2), with a 25 percent ERR**. The data and the assumptions are based on field research, as well as recent literature that estimated the impact of similar programs on SMEs growth and productivity rates, and changes in wages. 10 and 12 percent discount rates are used for different scenarios, in line with World Bank guidelines. Further details on these are provided in Annex 16.

Land Administration Reform

74. **Land administration reforms envisioned under the project will reduce land disputes and uncertainties in land ownership thereby creating incentives for increased investments and productivity.** In addition to registering about 600 communal land associations and the land they control, the project will register 800,000 land parcels of individually owned land in rural areas (plus 100,000 parcels in peri-urban areas) benefiting about 2.7 million people (600,000 households). Registration of communal land rights undertaken as part of the project will help to reduce land disputes and uncertainties in land rights, protect the land rights of local communities, and empower local communities to negotiate directly with investors, thereby creating an environment favorable to a win-win situation; this would result in significant investments and increased incomes in Northern and Eastern Uganda, the poorest areas of the country. An economic analysis based on eliminating productivity losses of 10 percent by reducing land disputes and increasing land tenure security through registration of communal and individually owned lands in rural areas yields an economic rate of return (ERR) of 22 percent. Even when the assumed productivity savings are reduced from 10 to 6 percent, the economic analysis

generates an ERR of 12 percent which is still above the opportunity cost of capital in many financial markets (detailed economic analysis can be found in the Land Annex 13).

75. **There are other unquantifiable economic benefits that would accrue from investments in land administration reforms**. These include: an improved business environment measured by a reduction in the time taken to transfer property, from 52 days to less than 30 days for the stock of registered land (18 percent of total) primarily in urban areas; improved land use planning which will enable sustainable and environmentally safe development of natural resources, especially oil and forests; and a growth in microfinance spurred by an accelerated land titling which will create opportunities to use titles as collateral.

Business Registration and Business Licensing

76. **As a result of business environment reforms implemented as part of the project, entrepreneurs will be able to register a new business and obtain necessary licenses more quickly and effectively**. Analysis in Annex 16 shows that activities under this component are expected to result in significant improvements in the business environment notably in business registration procedures and institutional capacity. These reforms are expected to stimulate Uganda's domestic private sector, reduce the informal economy, and speed up investment and job creation by making it easier to start up and expand businesses. They will also improve Uganda's international competitiveness by developing one of the region's most supportive business registries, consistent with good international practices. A modern business register will also give ministries up-to-date and reliable information on businesses to help them carry out their policy functions, and will assist market participants by improving information on businesses. Finally, these reforms will help to improve the collection of license fees and reduce opportunities for illegally diverted payments. The total cost incurred by businesses in complying with licensing requirements was estimated at approximately US$290 million, representing 3.49 percent of GDP,[33] and the overall impact of licensing alone is anticipated to generate private sector cost savings of up to 25 percent.

Tourism Competitiveness Development

77. **Tourism development initiatives implemented under the project will benefit entrepreneurs operating in the tourism sector, as well as the MoTWA and its agencies, such as UTB and UWA**. The project will help increase awareness of Uganda's tourism offerings, leading to increased inclusion of the country in multi-destination itineraries with neighboring countries. The supply of a trained work force capable of delivering competitive hospitality and tourism services will increase, improving the capacity of enterprises operating in the sector. By enabling destination-level integrated planning, communities and private sector tourism operators will work together to strengthen the overall tourism value chain. The project will also help to improve the capacity of the MoTWA and its agencies. The combination of these outcomes will increase first-time and repeat visitation rates; will increase the average expenditures per visitor; and will strengthen the value chain, contributing to job generation and firm creation. This impact has been estimated as part of the economic analyses with a number of different scenarios.

[33] *Statistical Abstract, 2011* – GDP at constant prices.

78. **The ERR of this component is expected to be 29 percent, and the NPV is expected to be about US$11.5 million with a discount rate of 10 percent**.

Matching Grant Facility

79. **Entrepreneurs in priority sectors[34] will benefit from the project as they will be able to access matching grants to procure BDS in the form of management training, acquisition of quality certification systems, business plan preparation, marketing, record keeping, finance, and production techniques**. The matching grant facility implemented by BUDS is a successful component of the PSCP II, and the current project will build upon its success. The expected benefits from the matching grants program for MSMEs as part of the current project include: (i) creation of new jobs; (ii) strengthening of the competitiveness of enterprises and value addition raised in the selected subsectors through access to BDS; and (iii) strengthening of the linkages between firms themselves, as well as between firms and markets, which will enable firms to be more competitive, create jobs, and grow. As a result of support provided under this component, individual enterprises will be able improve the efficiency of their business and as such increase their profits. The impact on individual businesses of different sizes and smallholders has been estimated as part of the economic analyses with a number of different scenarios.

80. **The number of beneficiaries for the Matching Grant Facility is estimated at 2,000 including micro-, small-, and medium-enterprises**. The ERR of this component is expected to be 18 percent, and the NPV is expected to be about US$3.6 million with a discount rate of 10 percent.

B. Technical

81. **The technical design of the project was examined by World Bank staff during project appraisal and is considered to be sound and in line with international standards.** The design is also grounded in analytical work undertaken prior to project design. The designs of the one-stop-shop for business registration, the e-registry for business licensing, and the MGF are all consistent with international best practice and the needs and capacity of the country. The technical design proposed has been developed and tested in other jurisdictions.

82. **The design of the Land Administration Reform component is consistent with and benefited from lessons learned from a recent review of land administration reforms in SSA.** The key elements of the land administration reform component (including modernization of infrastructure and systems for land administration, registration of communal and individually owned lands, capacity development, and reduction of land disputes) have all been designed taking into account lessons learned from the review of regional and global experiences. The team will leverage various technologies to increase the efficiency of land administration. While there are challenges especially registration of secondary rights such as the right of herders to temporarily use land for grazing after harvest, or the right of villagers (especially women and the

[34] Tourism, coffee, grains and pulses, horticulture, edible oils, fisheries, and information technology/business process outsourcing.

poor) to collect firewood, forest food products, medicinal plants, and building materials on land previously owned communally, these will be addressed by documenting communal rights (as private property rights) and supplementing this approach with other measures that will arise out of a social diagnostic study that is being carried out.

83. **The Business Registration and Business Licensing Reforms were also designed in line with international best practice** (see Annex 11), in particular the principles of accessibility, transparency, and legal security, whereby businesses should be able to easily access and obtain clear and comprehensive information about registration and licensing requirements and regulators should respond to applications in a timely manner, following relevant policies and procedures. The above principles will be implemented through the establishment of a one-stop-shop for business registration and an e-registry for business licensing, and through simplification and streamlining of the business registration and business licensing procedures, with the objective of reducing the time and cost necessary to register a business and obtain a license. The project design takes into account one of the principal lessons learned in the region related to sustainability of the reforms by identifying and recommending the need to resolve the issue of lack of self-sustainability of the main counterpart in this component – the URSB, which currently does not have the right to retain its own revenues. The project will also provide support to set up an *ex ante* oversight and quality control mechanism to prevent the reintroduction of unnecessary licenses and administrative burdens.

84. **Tourism activities under the project are integrated to support both tourism development and the capacity to enable tourism productivity.** Support to both public and private sector stakeholders at multiple levels provides a holistic intervention along the value chain. This is especially important in the tourism sector, where collaboration and coordination between public and private sector entities are crucial for achieving competitiveness.

85. **The Matching Grant Facility component was designed in accordance with international best practice and incorporates lessons learned from the operation of BUDS in Uganda.** This component will be managed by PSFU, which has thirteen years of experience in administration and management of similar schemes in Uganda (funded by the World Bank and other developing partners, such as the EU, DFID, and the Netherlands). PSFU has a Matching Grant Unit known as the BUDS Department, with 14 qualified and technically competent staff to handle component activities. The MGF will use existing PSFU institutional arrangements, including the PSC, to enhance monitoring of progress of the facility.

C. Financial Management

86. **MLHUD will implement the proposed Land Administration Reform component** as a continuation of the successful efforts implemented under PSCP II and the project's financial management transactions will be mainstreamed within the Ministry with the Permanent Secretary as the overall accounting officer. Daily operations will be handled by the finance department headed by a Principal Accountant and a designated accountant. Due to frequent government transfers, a support team of contracted staff will be recruited including a professional accountant to support the ministry. These contracted staff will work within existing departments and the project accountant will be responsible for all Bank projects and will report to the Principal Accountant. The GoU accounting policies and procedures documented in the

government's Treasury Accounting Instructions, 2003 issued under the Public Finance and Accountability Act 2003 will be used for the project. The Ministry is currently implementing three Bank grants under the Cities Alliance program and will be implementing the USMID Program-for-Results (P4R) operation.

87. **The remaining components on Tourism Competitiveness Development, Business Registration and Business Licensing, and Matching Grants Facility will be coordinated by PSFU** led by the Executive Director (ED). The financial management operations will be handled by the finance department headed by the Director Finance who supervises a Project Accountant and Accounts Assistants. They will be responsible for consolidating reports from URSB, MoTWA, UTB, UWA and the HTTI. PSFU has been implementing Bank-financed projects for the last six years and are thus knowledgeable in Bank procedures.

88. After fully assessing risks and capacity gaps in these three main entities, mitigation measures have been proposed to strengthen their fiduciary systems for which funding may be provided from the project, as detailed in Annex 3. The overall residual risk is Substantial upon implementing mitigating measures.

D. Procurement

89. **Procurement for the proposed project would be carried out in accordance with the World Bank's "Guidelines**: Procurement of goods, works and non-consulting services under International Bank for Reconstruction and Development (IBRD) Loans and IDA Credits dated January 2011; and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers dated January 2011; Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants, dated October 15, 2006 and updated in January 2011; and the provisions stipulated in the Legal Agreement. Assessments of the capacity of the national implementing agencies to undertake procurement activities were carried out by the Bank in January 2013. The assessments reviewed the organizational structure and functions, staff skills, current workload, quality and adequacy of supporting and control systems, and legal and regulatory framework. The risk for procurement is **High** and will reduce to **Substantial** after mitigation.

90. **The national legislation on public procurement as laid out in the Public Procurement and Disposal of Assets Act is generally consistent with the World Bank's guidelines, except for some provisions that will be addressed during the ongoing exercise of revising the law as part of the Poverty Reduction Strategy Credit (PRSC)**. The exceptions are listed in Annex 3. At the country level, the major country procurement risks are: (i) limited compliance with the Act as indicated in audit reports from the Public Procurement and Disposal Authority (PPDA); (ii) the inadequate procurement skills and/or numbers of procurement staff, in implementing agencies to conduct procurement. This risk will be mitigated by: (a) Bank monitoring through prior review and post review of contracts and supervision missions; (b) training of the procurement staff in the implementing agencies under the project; and (c) recruitment of a Procurement Specialist for the implementing agencies.

91. **Procurement for the project will be undertaken by the MLHUD and PSFU. The key issues for project implementation are**: (i) lack of proficiency of Procurement and Disposal Unit (PDU) staff in selection of consultants using Bank guidelines and lack of skills within PDU to prepare works bidding documents; (ii) inadequate staffing of the technical departments to support procurement and contract management; (iii) inadequate staffing and heavy workload on limited PDU staff, resulting in delays in procurement processing; (iv) inadequate space for storage of procurement records; (v) non-clarity of roles and responsibilities between user departments and the PDU; and (vi) MLHUD and PSFU implemented the PSCP II project under which INT established fraud and corruption in procurement processing leading to debarment of eight firms and six individuals; and (vii) delays in commencement of project implementation. These risks will be mitigated by: (i) training of PDU staff in procurement using Bank guidelines through workshops and at a training institution, (ii) recruiting additional staff in technical departments; (iii) recruiting a Procurement Specialist proficient in Bank-financed procurement management to support project procurement in MLHUD and PSFU who will report directly to the Contracts Committee[35]; (iv) providing additional space for storing procurement records and for PDU staff seating; (v) preparing a detailed procurement section in the Project Operations Manual to clarify roles and responsibilities of staff, (vi) the internal audit functions of the CEDP implementing agencies (i.e, PSFU and MLHUD) will be strengthened and they will submit mandatory monthly reports for the review of the PTC, highlighting potential cases of fraud and/or corruption in the implementing agencies. The PTC in their quarterly reports to the PSC shall review and make specific recommendations in cases of fraud and/or corruption. Expeditious reporting of suspected fraud and corruption cases in the project by the PSFU and MLHUD will alow the IG respond to allegations of corruption; (vii) enhanced record keeping by safes opened by two people – the Procurement Officer and the Accounting Officer; (viii) Anti-Corruption workshop for Bidders and (ix) training workshop facilitated by IDA Procurement team to build knowledge and capacity of staff involved in the project implementation.

E. Social (including Safeguards)

92. **Project's physical activities will be limited to** site specific civil works for rehabilitation or construction of Zonal Land Offices in selected districts throughout Uganda, including (i) the construction of the zonal land office in Luwero and (ii) the construction of a new building on the site of the HTTI in Jinja. There are also several other offices under consideration, pending the finalization of their feasibility. The ESIAs/ESMPs and RAPs for these additional offices will be prepared during project implementation, according to the approach defined in the ESMF and RPF. The RPF specifies the process for preparing, reviewing, approving and implementing subsequent RAPs for the project before the relevant civil works are initiated. The RPF has been consulted upon and disclosed in country and in the Infoshop on March 12, 2013. The projects in Luwero and Jinja do not involve land acquisition leading to involuntary resettlement and/or restrictions of access to resources and livelihoods; thus, no RAPs have been prepared. During implementation of project activities, should resettlement issued be identified, appropriate RAPs will be developed to address specific impacts, proposed mitigation measures, and compensation

[35] The procurement specialist will be supporting all projects World Bank-financed projects, such as Uganda Support to Municipal Infrastructure Development (USMID), trust fund Cities Alliance, and CEDP

issues. The Project Implementation Component includes the GoU contribution of US$2.5 million, and part of this amount will be used to fund the RAP implementation.

93. **The project physical activities will be located in Kampala, Jinja and throughout selected urban and municipal centers of Uganda**, namely the Districts of Luwero, Mpigi, Mityana, Soroti, Kabale, Rukungiri, Tororo, Mukono and Moroto for land offices. Project reforms in support of the land registration systems, land dispute resolution, and other national reforms will have impacts nationwide on improving transparency and security of land tenure.

94. **The land administration component will support the development of a gender promotion strategy in the first year of the project in order to promote gender equity in land registration**. Similarly, civil society engagement and communication strategies will be developed during the first year of the project aimed at enhancing public participation and transparency in the whole exercise of documenting land rights. The project will also support activities geared to reducing land disputes. A social diagnostics study is being undertaken ahead of project implementation to identify any social issues to address during project implementation. In addition, social, environmental and economic impact studies, with baseline and follow-up surveys, will be undertaken during implementation to assess issues and generate remedial measures.

F. Environment (including Safeguards)

95. **The project triggers OP 4.01 as it has a potential of localized, site-specific adverse environmental impacts** associated with rehabilitation and civil works for construction and rehabilitation of administrative, training and tourist facilities, particularly the district land offices and hotel school facilities. These include construction waste, dust and noise pollution during construction, impact of increase construction traffic, social and health impacts due to temporary establishment of workers' camps, etc. Most of these impacts are well known and can be mitigated using standard good construction practice embedded in the civil works contracts. While sites for the most of the potential infrastructure have been initially identified, they have not been finalized pending feasibility and other technical requirements, including an assessment by the National Environmental Management Authority (NEMA) on environmental and social risks and impacts. Decisions on these sites and works will be finalized during project implementation.

96. **Two sites have been finalized for construction – the zonal office in Luwero and a new building at the HTTI site in Jinja.** The ESIAs for these have been prepared, consulted upon, and disclosed.

97. **An Environmental and Social Management Framework (ESMF) has been prepared, consulted upon, and disclosed in country and in Infoshop on March 12, 2013 to guide identification and management of potential environmental and social impacts**. Consultations with project stakeholders were carried out as a part of ESMF implementation. The ESMF will govern screening of environmental impacts and their management, etc.

98. **The project has triggered OP 4.09, Pest Management**. Although the project is not envisioned to entail or directly support any pest or pesticide management, MGF support to

improved efficiency and productivity of private enterprises in the agricultural sector may indirectly encourage adoption of more sophisticated production techniques that may include the use of pesticides; similarly it may indirectly lead to increased production that may correspondingly increase the levels of pesticide use. To address these issues, the ESMF includes an Integrated Pest Management approach for addressing possible issues that may arise during project implementation. Handling of issues related to potential use of pesticides and promoting Integrated Pest Management (IPM) is included in the ESMF, and reflected in the Matching Grants Manual governing the MGF.

99. **The project has also triggered OP 4.11, Physical Cultural Resources** because the project civil works may lead to accidental finds or physical cultural resources. The ESMF and preparation of site specific EIAs will include assessment of potential impacts on physical cultural resources, and guidelines for handling chance finds.

100. **The project may enhance land market and land rights** through an improved land registration system, and accelerate the change in land use patterns, but is not expected to result in different land uses than those that would take place without the project.

G. Safeguard Policies Triggered

101. **This project triggers the environmental assessment safeguard policy, physical cultural resources, involuntary resettlement policy, and access to information policy.**

Safeguard Policies Triggered by the Project	**Yes**	**No**
Environmental Assessment OP/BP 4.01	X	
Natural Habitats OP/BP 4.04		X
Pest Management OP 4.09	X	
Indigenous People OP/BP 4.10		X
Physical Cultural Resources OP/BP 4.11	X	
Involuntary Resettlement OP/BP 4.12	X	
Forests OP/BP 4.36		X
Safety of Dams OP/BP 4.37		X
Projects on International Waterways OP/BP 7.50		X
Projects in Disputed Areas OP/BP 7.60		X
Access to Information	X	

Annex 1: Results Framework and Monitoring

Uganda:

Competitiveness and Enterprise Development Project (CEDP) (P130471)

Results Framework

Project Development Objectives

PDO Statement

The development objective of the project is to improve the competitiveness of enterprises in Uganda by providing support for: (i) the implementation of business environment reforms, including land administration reform; and (ii) the development of priority productive and service sectors.

Project Development Objective Indicators

Indicator Name	Core	Unit of Measure	Baseline	Cumulative Target Values					Frequency	Data Source/ Methodology	Responsibility for Data Collection
				YR1	YR2	YR3	YR4	End Target			
Indicator One: Reduction in the number of days to register land	☒	Number	52.00	52.00	45.00	40.00	35.00	25.00	Yearly	WB Doing Business	MLHUD
Indicator Two: Reduction in time (days) and cost to register a business (as % of income per capita)	☐	Days	33.00	33.00	33.00	10.00	10.00	5.00	Yearly	WB Doing Business	URSB
	☐	Percentage	76.70	76.70	76.70	76.70	50.00	50.00	Yearly		
Indicator Three: Increased international tourist arrivals	☐	Number	945000	980000	1100000	1200000	1300000	1500000	Yearly	MoTWA and Customs arrival reporting	UBOS in collaboration with MoTWA
Indicator Four: Tourism sector employment	☐	Number	225300	230000	240000	250000	275000	300000	Yearly	World Travel and Tourism Council	WTTC with input from GoU
Indicator Five: Increase in exports of non-traditional products	☐	Percentage	0.00	2.00	4.00	6.00	8.00	10.00	Yearly	PSFU (based on MSME data)	PSFU
Indicator Six: Direct project beneficiaries (number), of which female (percentage)	☒	Number	0.00	200,000	400,000	600,000	800,000	1,000,000	Yearly	PSFU	PSFU
		Percentage	0.00	10.00	12.00	14.00	16.00	18.00			

Intermediate Results Indicators

				Cumulative Target Values							
Indicator Name	Core	Unit of Measure	Baseline	YR1	YR2	YR3	YR4	End Target	Frequency	Data Source/ Methodology	Responsibility for Data Collection
Intermediate Results Indicator One: Land parcels with use or ownership rights recorded as a result of the project	☒	Number	0.00	50000	200000	400000	600000	800000	Yearly	MLHUD (verification from registers)	MLHUD
• *Subindicator*: Land parcels with use/ownership rights recorded as a result of project-female	☒	Number	0.00	10000	40000	120000	240000	360000	Yearly	MLHUD (verification from registers)	MLHUD
Intermediate Results Indicator Two: Number of communal land associations (CLAs) formalized	☐	Number	0.00	50	150	300	450	600	Yearly	MLHUD (verification from registers)	MLHUD
Intermediate Results Indicator Three: Target population with use or ownership rights recorded as a result of the project	☒	Number	0.00	333000	666000	1333000	2000000	2666000	Yearly	MLHUD (verification from survey department)	MLHUD
Intermediate Results Indicator Four: Target land area with use or ownership rights recorded as a result of project	☒	Hectare(Ha)	0.00	71456	142913	285825	428738	571650	Yearly	MLHUD (verification from coordination office)	MLHUD
Intermediate Results Indicator Five: Percentage of customers reporting satisfaction with land registration services	☐	Percentage	0.00	30.00	40.00	50.00	60.00	70.00	Yearly	MLHUD	MLHUD
Intermediate Results Indicator Six: Number of registered businesses on which data have been entered into the online business register	☐	Number	0.00	0.00	60000	70000	90000	150000	Yearly	URSB	URSB
Intermediate Results Indicator Seven: Number of URSB staff and other relevant agencies trained in business registration and business licensing new procedures	☐	Number	0.00	0.00	30.00	60.00	120.00	150.00	Yearly	URSB	URSB
Intermediate Results Indicator Eight: Number of staff at all levels across MoTWA (Ministry and Agencies) who completed project-	☐	Number	0.00	10.00	40.00	60.00	100.00	130.00	Yearly	Based on CEDP initial capacity needs assessment and gap analysis	MoTWA

provided training in tourism sector issues											
Intermediate Results Indicator Nine: Number of external industry and educational bodies that have accredited HTTI	☐	Number	0.00	0.00	0.00	1.00	2.00	3.00	Once with renewal as necessary	HTTI	HTTI with documentation from external agencies
Intermediate Results Indicator Ten: Number of new tourism MSMEs	☐	Number	0.00	20.00	30.00	50.00	80.00	125.00	Yearly	MSME business registration	MoTWA and Ministry of Trade/Licensin g
• *Subindicator*: Number of female-owned new tourism MSMEs	☐	Number	0.00	2.00	6.00	10.00	20.00	40.00	Yearly	MSME business registration	MoTWA and Ministry of Trade/Licensin g
Intermediate Results Indicator Eleven: Number of new employees hired by MSMEs benefiting from the matching grants facility	☐	Number	0.00	1000.00	3000.00	5000.00	8000.00	11000.00	Yearly	PSFU	PSFU
Intermediate Results Indicator Twelve: Increase in sales[36] of firms supported under the matching grants facility	☐	Percentage	0.00	2.00	4.00	6.00	8.00	10.00	Yearly	PSFU	PSFU

[36] Sales in terms of values

Annex 1: Results Framework and Monitoring

Uganda:

Competitiveness and Enterprise Development Project (CEDP) (P130471)

Results Framework

Project Development Objective Indicators

Indicator Name	Description (indicator definition etc.)
Reduction in the number of days to register land	This indicator shows the average number of days to complete recording of purchase/sale of property in the land administration system. This indicator measures the improvements in the timeliness of recordation of property purchases or sales. The baseline value will be the average number of days required to complete the recordation of a purchase/sale of a property in the land administration system at the start of the project.
Reduction in time (days) and cost to register a business (as % of income per capita)	This indicator will measure the reduction in the number of days required to register a business and in the cost of registration as a percentage of income per capita.
Increased international tourist arrivals	This indicator will measure the cumulative number of international tourist arrivals in Uganda in a given year.
Tourism sector employment	This indicator will measure the cumulative number of people employed in the tourism sector of Uganda over the term of the project. Only full-time employment with formally registered firms will be taken into account.
Increase in exports of non-traditional products	This indicator will measure a percentage increase in exports of non-traditional products in comparison with the base year.
Direct project beneficiaries (number), of which female (percentage)	This indicator will measure the number of direct project beneficiaries of the project and specifically the percentage of female beneficiaries

Intermediate Results Indicators

Indicator Name	Description (indicator definition etc.)
Land parcels with use or ownership rights recorded as a result of the project	This indicator measures the number of land parcels with use or ownership rights recorded in the land administration system as a result of the project. The TTL should also indicate the number of land parcels with women as a record holder, either jointly or individually. The baseline value is expected to be zero.
Land parcels with use/ownership rights recorded as a result of project-female	No description provided.
Number of titles registered to CLAs	This indicator will measure the cumulative number of land titles registered to CLAs over the course of the project.
Target population with use or ownership rights recorded as a result of the project	This indicator measures the population targeted by the project whose land tenure rights (use or ownership) are recorded in the land admin system (whether in a register/registry, a cadastre, or any relevant organization where the information on land tenure rights is held). The baseline value is expected to be zero.
Target land area with use or ownership rights recorded as a result of project	This indicator measures the area over which use or ownership rights have been recorded as a result of the project. The

	baseline value is expected to be zero.
Number of registered businesses on which data have been entered into the online business register	This indicator will measure the number of registered businesses on which data have been entered into the online business register. For the purposes of calculating this indicator, all of the new registrations will be considered (i.e., if the business existed before and registered only at this time, this will be counted as the registered business)
Number of URSB staff and other relevant agencies trained in new business registration and business licensing procedures	This indicator will measure the cumulative number of URSB staff and other relevant agencies trained in new business registration and business licensing procedures.
Number of staff at all levels across MoTWA (Ministry and Agencies) who completed project-provided training in tourism sector issues	This indicator will measure the cumulative number of staff who will complete a 2-week training as a result of the project.
Number of external industry and educational bodies that have accredited HTTI	This indicator will measure the number of bodies (external industry and education) which have accredited HTTI
Number of new tourism MSMEs	This indicator shows the cumulative number of new tourism MSMEs established during the course of the project.
Number of female-owned new tourism MSMEs	This indicator will measure the number of female-owned new tourism MSMEs
Number of new employees hired by the MSMEs benefiting from the matching grants facility	This indicator will measure the cumulative number of new employees hired by the MSMEs benefiting from the matching grants program.
Increase in sales of firms supported under the matching grants facility	This indicator will measure the increase in sales (value based) of firms supported under the matching grants facility compared to the base year.

Annex 2: Detailed Project Description

UGANDA: Competitiveness and Enterprise Development Project (CEDP) (P130471)

Component 1: Land Administration Reform (US$54 million)

Background

1. **From 1971 through 1986, when the current regime took over, Uganda experienced a prolonged period of poor governance, with military regimes and civil war destroying its economy, infrastructure, and institutions**. While the new administration ushered in an era of rehabilitation that ended in the late 1990s, the land sector did not start its rehabilitation phase until 2002, when the 10-year Land Sector Strategic Plan (LSSP 2002-2011) was initiated. But actual implementation started only under the land component of the PSCP II, which became effective in 2005 and closed in February 2013. Out of the required US$80 million to implement LSSP, the PSCP II contributed about US$30 million; no other donor funding has been provided except minimal TA from DFID.

LSSP had five strategic objectives, namely:

1) Creating pro-poor land policy and regulations;
2) Putting land to sustainable productive use;
3) Providing more equitable distribution and secure access to land for vulnerable groups to improve livelihoods;
4) Improving accessibility and availability of land information for planning and implementing development programs; and
5) Providing transparent, accountable, and efficient decentralized land administration systems.

2. **A second LSSP (LSSP 2: 2013-2022) was prepared**; it rolls over a large part of LSSP 1 that was not implemented and incorporates the new National Land Policy. The activities to be funded by the proposed project have been highlighted as priorities in the first 5-year phase of LSSP 2.

PSCP II

3. **The land subcomponent of the PSCP II primarily supported the fourth and fifth objectives of LSSP and implemented the following activities**:

a. Rehabilitation/construction of 13 local land offices (including the provision of equipment);
b. Re-engineering and computerization of land registration systems and records;
c. Rehabilitation of the Institute of Surveying and Land Management; and
d. Training of staff to run the systems and institutions.

4. **The intervention resulted in a reduction in the number of days to register property, as measured by *Doing Business 2013*, from 227 in 2006 to 52 in 2012, compared to an average of 31 days for OECD countries**. The impact on improving the business climate has been considerable but is most significant for businesses dealing with land in urban areas, where more land is registered, compared to only 5 percent in rural areas. Table A2.1 provides detailed information on the distribution of rural lands with/without certificates by region.

5. **In addition, the PSCP II supported considerable policy and legislative work and the piloting of various initiatives in readiness to embark on the other three strategic objectives of LSSP, which are being rolled over to LSSP 2**. Notable ones include: the National Land Policy, approved by the Cabinet in February 2013; the National Land Use Policy, adopted in 2007 and followed by enactment of the Physical Planning Act 2010; the Mortgage Act 2009; the Land (Amendment) Act 2010 to reduce illegal evictions; and preparation and drafting of nine bills, including the Registration of Titles Bill, the Land Survey Bill, the Land Surveyors Registration (Amendment) Bill, the Real Estate Agents Bill, the Land Acquisition Bill, the Government Lands Bill, the Local Government Rating Bill, the Condominium Property (Amendment) Bill, and the Uganda Land Information Systems Bill. These bills are being finalized and processed for adoption; their implementation will be supported under the proposed project.

6. **The piloting supported by the PSCP II included**: systematic titling of high-value rural land in Ntungamo, Iganga, and Mbale districts using best practice, low-cost, and transparent approaches – average registration costs were reduced from more than US$200 to about US$23 per land parcel (compared to US$25 in Thailand, which is known as best practice); and identification and surveying of government-owned land with a view to improving its management – the piloting was hampered by procurement problems but was able to complete 1086 land parcels and to generate lessons that will inform future efforts (e.g., the need to exclude public sector functions from private contracting). While not directly supported by the PSCP II, some initiatives were undertaken to demarcate and register communal land in Northern Uganda under communal land associations (CLAs) as provided for by the Land Act 1998; more than 50 CLAs were organized, of which about 10 have been registered. These pilots will be scaled up under the proposed project.

Table A2. 1: Percentage Distribution of Parcels by Type of Certificate, by Region in Uganda

Region	Certificate of title	Certificate of customary ownership	Certificate of occupancy	No document	Total
Central	12.4	0.5	0.3	86.8	100.0
Eastern	1.3	0.6	0.2	97.9	100.0
Northern	1.8	0.7	0.0	97.5	100.0
Western	2.8	1.2	0.5	95.6	100.0
Total	4.1	0.8	0.3	94.9	100.0

Source: Based on the 2005/06 Uganda National Household Survey (UNHS) III.

7. **The land component of CEDP will fund the scale-up of the land reform process carried out under the PSCP II through four subcomponents:** (i) modernizing land administration; (ii) accelerating registration of communal and individually owned lands; (iii) strengthening institutions and mechanisms for land dispute resolution; and (iv) reviewing land institutions, developing capacity, and coordinating implementation of the land administration reform component**.**

(i) **Subcomponent 1: Improving land administration** (**US$28.9 million)**

The subcomponent will support the following activities: (i) constructing up to nine zonal land offices (US$2.4 million)[37] in Kabale, Luwero, Mityana, Mpigi, Moroto, Rukungiri, Soroti, Mukono, and Tororo, which, in addition to the 13 already constructed/renovated offices, will form a national network of zonal offices to host the computerized LIS; (ii) enhancing the design of the current LIS to support not only land registration but also land valuation and physical development planning functions, and rolling it out from the six pilot zonal land offices to all 21 zonal land offices in the country, including the conversion of the associated land records (US$7 million); (iii) strengthening land use planning (US$6 million), including development of GIS data bases and systems to link with the LIS, and undertaking a national physical development plan as well as regional, district, and local plans in fast growing areas including the Greater Kampala metropolitan area and the Albertine oil region; (iv) developing the land valuation function, including reviewing the policy and legal framework, developing a valuation data base and systems to link with the LIS, collecting necessary field data, developing capacity in the public and private sectors, and improving the land registration process to reduce the time, cost, and number of procedures (US$1.2 million); (v) developing a policy and legal framework for land-related housing and urban development and designing programs for implementation (US$0.5 million); (vi) developing and implementing policies for a geodetic reference framework, national spatial data infrastructure, and mapping (US$0.5 million); (vii) completing and modernizing the horizontal geodetic reference framework, including two continuously operating reference stations (US$3 million); (viii) re-equipping and building the capacity of the Survey and Mapping Department to service land administration and to manage the acquisition and processing of basic spatial data to meet national needs (US$1 million); (ix) producing base maps for land administration and sharing them with other users in the country (US$7 million); (x) technical assistance to advise the government on undertaking a government land inventory, using its own funds, and to support completion of the review of the legal, institutional and operational aspects of the Uganda Land Commission and the Land Fund it operates, and to recommend programs for implementation (US$0.3 million).

[37] This amount will include costs of design, construction and supervision of the buildings at the 9 sites. Construction is estimated at US$ 2 million

(ii) **Subcomponent 2: Undertaking systematic registration of communal and individually owned land (US$14 million)**

The subcomponent will support several activities, namely: (i) organizing and formalizing communal groups into CLAs, with priority given to the northern and eastern regions of Uganda, building on experiences already achieved under the 1998 Land Act, whereby more than 50 CLAs were organized and at least 10 registered their communal land (US$2 million); (ii) demarcating and registering communal lands in the names of CLAs, issuing them freehold titles or certificates of customary rights of ownership, with priority given to the northern and eastern regions of Uganda, where at least 10 communal land ownership documents have already been issued (US$2 million); and (iii) systematic demarcation and registration of individual lands using two approaches – the one for rural land will chart land parcels on an orthophoto to issue 800,000 land titles/certificates, following Rwanda's approach (which has been successfully piloted in Madagascar, Tanzania, and Namibia) (US$8 million); the approach for high-value rural land and peri-urban land will be based on a detailed survey of land boundaries to issue 100,000 title deeds (US$2 million). The registration processes for both communal and individually owned lands will include a public display of adjudication results, with at least 30 days allowed to challenge the results, and with a clear and open process for appeal by any aggrieved parties. A gender promotion strategy developed within the first year will be aimed at promoting gender equity in land registration; similarly, civil society engagement and communication strategies aimed at enhancing public participation and transparency in the whole exercise of documenting land rights will also be developed during the first year of the project. Adequate funds have been included in the project to support development and implementation of these strategies. A social diagnostic study is being undertaken ahead of project implementation with a view to developing approaches to address any issues and explore opportunities to maximize positive social impacts during implementation.

(iii) **Subcomponent 3: Implementing a program of actions for strengthening institutions and mechanisms for land dispute resolution (US$5 million)**

The subcomponent will support several activities geared to reducing land disputes (US$5 million): (i) reviewing the judiciary's court processes and rules to improve court performance in the adjudication of land cases; (ii) strengthening the judiciary and other relevant agencies (land tribunals, local councils, Area Land Committees, recorders, and Traditional Institutions) in the use of Alternative Dispute Resolution (ADR) and mediation mechanisms to resolve land cases faster, more transparently, and at lower cost. Judiciary has been consulted and will be trained in the application and practice of land related laws, guidelines, and regulations; and (iii) compiling and disseminating relevant legal documents to raise greater awareness of the law and people's appreciation of their land rights; (iv) developing the capacity of the judiciary and other land adjudication institutions through training; and (v) reviewing the legal and institutional framework required to restore and support the functioning of land tribunals.

(iv) **Subcomponent 4: Implementing a program of actions for strengthening land administration and management institutions (US$6.1 million)**

The subcomponent will support several activities, namely: (i) reviewing the organization and functions of the land administration and management institutions in line with the ongoing modernization efforts to enhance efficiency and sustainability (US$0.2 million); (ii) reviewing skills gaps in public and private institutions (including professional associations) in the land sector and implementing capacity development programs (US$3 million); (iii) consolidating the rehabilitation and modernization of the Institute of Survey and Land Management, including the supply of training equipment and construction of a dormitory for girls and a multi-purpose hall to enable the Institute to provide on-the-job short- and long-term training (US$1 million); (iv) developing and implementing gender, civil society engagement, and communication strategies based on key IDA principles of good governance; transparency, accountability and participation (TAP)[38] (US$0.4 million); and (v) providing technical support for the implementation of the land component (US$1.5 million).

8. **The cohesive impact of this support will be**:

(i) An improved business environment, measured by a reduction in the time taken to transfer property, from 52 days to less than 30 days (for the stock of registered land), primarily in urban areas.

(ii) Creation of a strong foundation for scaling up the titling of rural land from its current level of 5 percent to about 50 percent within 10 years to strengthen land tenure security, better manage government-owned land, and promote more sustainable land use.

(iii) Registration of communal land rights that will protect the land rights of local communities and empower them to negotiate directly with investors over investment land, thereby creating an environment favorable to a win-win situation for local communities and investors; this would result in opening up significant investments and increased incomes in Northern and Eastern Uganda, where there are high levels of poverty and very low levels of investment.

(iv) Increased land tenure security and the associated investment incentives by current owners (and invigorated rental markets) to boost agricultural productivity for about 800,000 of the rural land parcels of individually owned land, which will be registered as part of the project. Land ownership by agricultural households in

[38] "*Transparency*" implies openness and visibility of project information; "*Accountability*" implies probity in the use of project resources and public leaders' responsiveness to citizens' needs, and "*Participation*" implies recognition of beneficiaries/citizens' rights and voices. Both strategies developed within the first year will be implemented in the second, third, fourth and fifth years of the CEDP implementation

Uganda is shown in Table A2.2. Land disputes are estimated to absorb 5-11 percent of agricultural productivity.39

(v) Improved land use planning, which will enable sustainable and environmentally safe development of natural resources, especially oil and forests.

(vi) A growth in microfinance, as accelerated land titling will create opportunities to use titles as collateral.

Table A2. 2:Agricultural Households Owning Land and Land Operated with User Rights

Region	Ag. HH ('000)	Own land		Use rights/Occupants		Ag. HH without land (landless) ('000)
		Number ('000)	%	Number ('000)	%t	
Central	1,014	632	62.3	574	56.6	382
Eastern	1,103	931	84.4	582	52.8	172
Northern	866	638	73.7	449	51.9	228
Western	1,169	1,065	91.1	580	49.6	104
Uganda	4,151	3,266	78.7	2,185	52.6	885

Source: Based on the 2005/06 UNHS III.

Component 2: Business Registration and Business Licensing Reforms (US$10 million)

9. **Business registration continues to be burdensome, inefficient, slow, and a significant barrier to entering the Ugandan market**. Poor business registration practices repeatedly appear on the list of complaints both locally and internationally: the incorporation process is handled by the URSB, an autonomous statutory body under the MoJCA, which is responsible for policy direction as the line ministry for URSB. However, the incorporation process is currently managed separately from other registration procedures, such as tax and social security registration. As a result, according to *Doing Business 2013*, starting a business in Uganda requires 15 procedural steps and takes 33 days, with a cost amounting to 76.7 percent of income per capita: this ranks Uganda number 144 among 183 economies analyzed.

10. **With the support of the IFC/IC and FPD teams, GoU developed a road-map to guide implementation of the licensing reforms and also appointed a high level committee headed by the private sector to oversee the reform process**. The BLRC accomplished its tasks within a year of its appointment. The IFC/IC and FPD teams also supported GoU on Business Registration reforms by identifying the needs and benchmarking them

11. **Business licensing is an additional burden for businesses.** The multiplicity and overlap of business licenses, levies, fees, and permits that exist at the national and subnational government levels create unnecessary costs and stymie business activities. In 2011, the BLRC,

[39] Deininger, Klaus and Castagnini, Raffaella, (2006). "Incidence and impact of land conflict in Uganda." *Journal of Economic Behavior & Organization*, Elsevier, Vol. 60(3): 321-345, July.
.

with the support of the Investment Climate Department and FPD, launched an inventory of business licenses/permits and authorizations (currently 780, issued by national and regional governments), with the objective of reducing a number of unnecessary ones. BLRC recommended eliminating 47 licenses, streamlining another 305, and creating an online "e-registry" of valid licenses. Within the business licensing reform, special focus will be given to priority areas and those complementary to other components of this project, such as tourism, as well as to the simplification and streamlining of the procedures for obtaining construction permits. Finally, due to the significant number of informal businesses in Uganda, the proposed simplification measures will include an impact evaluation and identification of a package of incentives that works best in terms of impact on formalization and performance of newly established businesses. Uganda ranks 113 in *Doing Business 2013* on the "Dealing with Construction Permits" indicator, a decline of three points compared to the previous year. Streamlining the procedure of issuance of construction permits (and reducing its cost) will complement the project activities related to land reform and stimulate business activities (not only limited to the construction industry).

12. **Strategy and activities**. This component aims to reduce the burden for businesses in dealing with registration and licensing procedures by limiting the scope of application and streamlining the issuance processes through the creation of a one-stop-shop for registration and business licenses that will also be accessible online. The component will benefit from the Regional Communication Infrastructure Project (RCIP) under preparation. RCIP will support e-government application and will include e-payment and authentication.

13. **The activities will include:**

(i) **Strengthening business registration institutions and processes** (**US$8.5 million**). The project will finance the establishment of a business registration one-stop-shop to serve as a single access point for businesses to complete the procedures for registration and business licensing. The e-registry will serve as the sole repository of all approved business licenses in Uganda, as well as implementation of activities aimed at the streamlining the business registration and business licensing regime. The activities will include:

- Construction of a central office for the URSB;
- Establishment of a business registry and licensing technology platform and software application;
- Establishment of a network of local/regional offices of the business registration one-stop-shop; and
- Activities aimed at the streamlining of business registration and business licensing procedures and elimination of unnecessary licenses and procedures, including:
    - Implementation of procedural and regulatory changes aimed at the reduction of the time and costs to start a business;

- o Implementation of procedural and regulatory changes aimed at simplifying and streamlining the licensing regime in priority sectors such as tourism and construction[40];
- o Setting up the institutional and legislative framework for "ex ante" quality control of new laws and regulations, to prevent the reintroduction of new unnecessary licenses or procedures; and
- o Impact evaluation and identification of a package of incentives aimed at formalization and better performance of newly established businesses.

(ii) **Institutional strengthening of the URSB and other relevant regulatory agencies' staff** (**US$0.5 million**). Skills enhancement of URSB staff and those in other relevant regulatory agencies.

(iii) **Developing and implementing an information, education and communications strategy** [41] (**US$1 million**). Conduct of a communication campaign and improved transparency and communication with businesses and the public using television, newspapers, radio, brochures, a consultation portal, conferences, and seminars related to the implementation of this component.

14. **Impact - The reform of business registration and business licensing practices is expected to:**

(i) Stimulate Uganda's domestic private sector, reduce the informal economy, and speed up investment and job creation.

(ii) Improve Uganda's international competitiveness by developing one of the region's most supportive business registries, consistent with good international practices.

(iii) Improve business statistics and information in Uganda to give ministries and other users up-to-date and reliable information on businesses to help them carry out their policy functions, and to assist market participants by improving information on businesses.

(iv) Improve the collection of license fees and reduce opportunities for illegally diverted payments.

The total cost incurred by businesses in complying with licensing requirements was estimated at approximately US$290 million, representing 3.49 percent of GDP,[42] and the overall impact of licensing alone is anticipated to generate private sector cost savings of up to 25 percent of these costs.

Component 3: Tourism Competitiveness Development (US$25 million)

15. **Tourism is one of the fastest growing sectors in terms of the potential to attract investments and create jobs**. International tourism arrivals more than quadrupled from 205,000

[40] These activities will be the continuation of the activities implemented under the IFC Uganda Investment Climate Program (UICP)

[41] Stakeholder outreach initiatives for Business Registration and Business Licensing Reforms will be coordinated by the URSB, the implementing agency for this component.

[42] *Statistical Abstract, 2011* – GDP at constant prices.

in 2001 to 945,000 in 2010. The sector's impact on the economy is significant, with tourism's total contribution estimated at US$1.7 billion, representing 9.0 percent of GDP. Its direct and total employment are estimated at 225,300 and 522,000 jobs, respectively.

16. **However, Uganda is not realizing its full tourism potential in terms of value creation or employment generation.** The sector has been constrained by persistent gaps in its policy and institutional framework and, as a result, it performs below its potential. The lack of training and the poor capabilities of tourism workers have been repeatedly documented as a binding constraint for the industry, limiting the employment and enterprise generation opportunities. Uganda's tourism is further hampered by minimal marketing and promotion activities in an increasingly competitive regional and global marketplace.

17. **The project will support the tourism sector on several dimensions.** The tourism component will include macro-level interventions that complement micro-level support to tourism businesses envisaged in the form of matching grants as described in Component 4. The component will include:

(i) **Development of Labor Force for the Tourism Sub-sector (US$12 million):** HTTI is Uganda's largest institute focused on the tourism sector. HTTI will contribute to strengthening multiple links of the tourism value chain by providing up-to-date training to improve lodging operations, food and beverage offerings, and tour guiding (i.e., for nature-based, cultural heritage, and city-based tourism). Labor force development for the tourism sector will be achieved through construction and repositioning Uganda's national Hotel and Tourism Training Institute (HTTI) and its attached Crested Crane Hotel in Jinja. Key activities to be supported to achieve outcomes are:

- Construction of the Crested Crane Hotel to a level appropriate to meet market demand (i.e., a 3-star hotel) and designing, installing, and upgrading the associated instructional facilities (e.g., classrooms, library, computer labs, language labs, kitchens, student hostels) for effective learning in hospitality, tourism, and entrepreneurship programs;[43] and providing learning materials and supportive software.
- Promoting professional development of instructors and institute administrators via short (<6 months) and medium length (not more than 18 months) training programs to enable staff access to post-graduate training for improved program delivery.[44]
- Achieving international accreditation for instructional programs and upgrading curricula for traditional students and continuing professionals, by including short-term modular offerings and full-time vocational programs in entrepreneurship and management in hospitality and tourism.

[43] The infrastructure will include furniture and industrial instructional equipment.
[44] This will be coupled with international partnerships with institutions of repute in the tourism and hotel industry either through a management contract or a twinning arrangement to enable sustainable and hands-on training and adoption of requisite pedagogical skills for staff to deliver the reformed curriculum upon completion.

- Repositioning HTTI with a sustainable business model, a revenue-generating strategy, and associated revenue-generating activities.

(ii) **Strengthening the capacity of the MoTWA and UTB (US$3 million):** The MoTWA was created in 2012 and lags behind in several dimensions. Skills enhancement activities will support the MoTWA to: develop the technical skills of sector-focused staff; launch and manage systems for tracking sector performance through consistent collection, analysis, and dissemination of tourism data; facilitate the design and implementation of a lodging classification/grading system to achieve an improved standard; and support informed policy advancements such as implementation of the national tourism levy. Of particular note is the pressing need for an improved organizational structure enabling effectiveness of UTB. This will be a priority activity underpinning the goal to achieve technical competency requisite to sector competitiveness.

(iii) **Tourism Product Planning, Packaging, and Promotion (US$10 million):** A competitive and economically productive tourism sector requires strengthening the value chain by building supply and demand. With its support to tourism planning, packaging, and promotion, CEDP will enable strengthening of tourism sector competitiveness through:

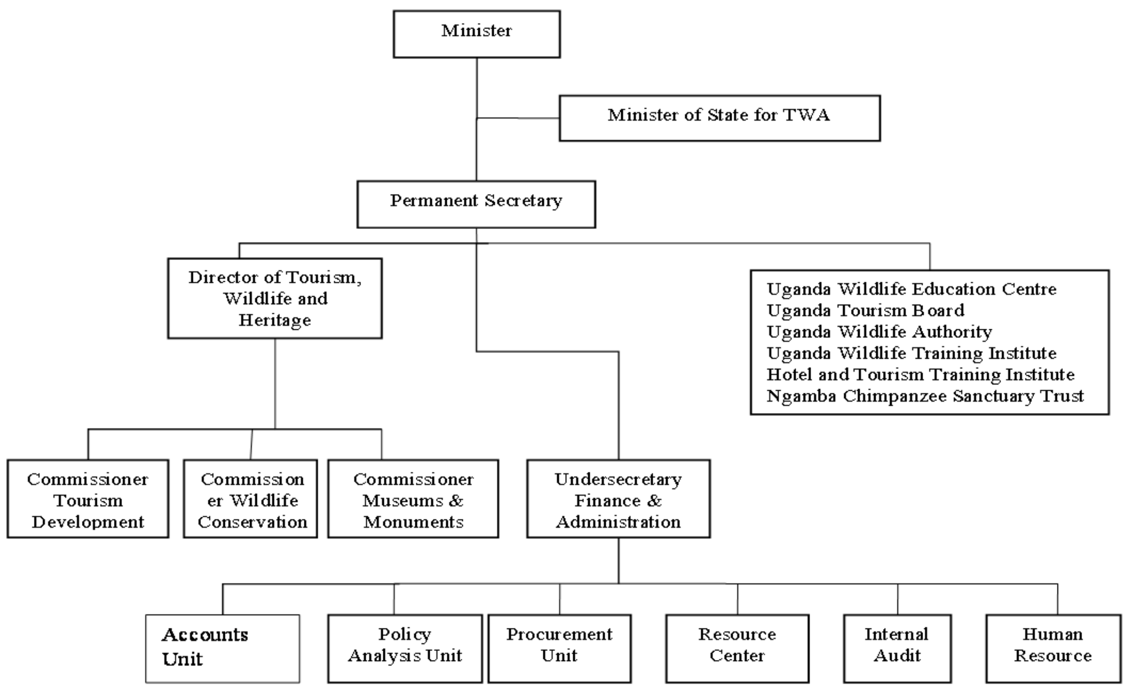
- ***Planning:*** support to activities defining tourism products beyond current offerings through integrated tourism destination planning at community, district, and area levels. This will involve increasing community awareness and involvement in tourism as well as support for the development of MSMEs linked to tourism (e.g., handicrafts, local transport, travel-related services).

- ***Packaging:*** development of the tourism value chain for domestic, intra-regional, and international (long-haul) travelers and support to public and private sector entities (e.g., government/ministry agencies, local communities/municipalities, and trade associations) to develop key linkages (complemented and further supported by matching grant activities in the project) for tourism products that are competitive. Support for the development of tourism routes and services will be provided by establishing and addressing supply and demand gaps. Achieving a critical mass of tourism attractions and services is requisite for travelers to visit Uganda, to stay longer, and to spend more than current levels.

- ***Promotion:*** development and implementation of traditional and innovative online marketing and promotion materials will facilitate building diversified demand for Uganda's tourism product for travelers from Uganda, neighboring African countries, and overseas markets. The development and launch of a national brand as well as promotion of a broader tourism offering (including cultural heritage and meeting-based tourism) supports both supply and demand. TA and skills enhancement for UTB and UWA and other tourism-focused agencies to communicate a comprehensive brand and deliver a high standard of targeted promotion for key segments (i.e., international, intra-regional, and domestic tourism) of nature, culture, and business tourism offerings will enable promotion of outcomes achieved through the planning and packaging activities.

18. Component activities will be achieved through comprehensive support and engagement across the MoWTA (see Figure A2.1) and through engagement with other ministries involved in the tourism value chain.

Figure A2. 1: Organization of the MoTWA



19. **Impact - This intervention is expected to:**

(i) Increase the supply of the trained workforce capable of delivering competitive hospitality and tourism services**.**

(ii) Support the elaboration of sector statistics, lodging standards, and classification systems and sector policies through a strengthened institutional framework and improved public/private sector collaboration**.**

(iii) Establish tourism through integrated planning aligned with sector supply and demand**.**

(iv) Enable improved and new tourism offerings in key destination areas across Uganda**.**

(v) Increase awareness domestically and internationally of Uganda's tourism offerings, leading to increased inclusion of the country in multi-destination itineraries with neighboring countries**.**

20. The combination of these outcomes will enable: increased first-time and repeat visitation rates; increased average expenditures per visitor; and a strengthened valued chain, contributing

to job generation and firm creation. The activities in this component will further foster Ugandan pride and travel by Ugandans themselves through increased awareness and understanding of the sector.

Component 4: Matching Grant Facility (US$8 million)

21. **In Uganda, low productivity and competitiveness are a function of factors both internal and external to firms**. Factors internal to the firm that are amenable to upgrading include labor productivity, management skills, and financial accounting systems. Factors external to the firm that could be addressed include the use and availability of inputs, such as training, timely information on markets and technologies, and appropriate financial services.

22. **A successful matching grant facility aimed at addressing low productivity and competitiveness of firms was part of the PSCP I and II and was implemented by PSFU.** BUDS' impacts under PSCP II included creation of over 26,000 jobs, support of 839 enterprises, increase of profits for enterprises by 50 percent, increase in sales by 125 percent and development of new products for export to UK, EU and Japan as shown in Annex 15.

23. **The matching grant facility component of the CEDP project aims to improve enterprise capacity by facilitating beneficiaries (including MSMEs') access to matching grants of up to 50 percent towards the use of sector-specific BDS, building skills, and improving quality standards at the firm level.** It is the only direct intervention at the firm level in the project.

24. **The management costs of the Matching Grant Facility are estimated at US$1.0 million**. These costs will be financed out of the US$ 8 million allocated to this component.

25. **The Matching Grant Facility will finance 50 percent of the cost of using consultants and other service suppliers, up to a US$100,000 limit per beneficiary.** Matching grants support will be provided to private enterprises, sectoral associations, professional associations and any privately controlled institutions that support the target industries through: changing enterprise behavior toward investment in skills, including those of women; raising productivity; and improving the quality, standards, and reliability of MSME producers participating in export value chains. This will be achieved by scaling up the ongoing matching grant schemes implemented successfully under the first and second PSCP. In addition, this new scheme will be developed to target: (i) improving technology; (ii) improving skills, particularly in management; and (iii) marketing.

26. **This component will support a matching grant facility for the high-potential subsectors identified by the Uganda CICS II: tourism, coffee, grains and pulses, horticulture, edible oils, fisheries, and information technology/business process outsourcing.** The overview of the benefits of the MGF support for these sectors is presented below. Please refer to Annex 12 for a more detailed description of each sector.

(vi) ***Tourism*****:** This is an important sector in Uganda's economy, and tourism has been a great contributor to foreign exchange, employment, and investment in the recent past. The sector is the second largest contributor of foreign exchange and fetched

US$805 million (about UGX 2 trillion) as of August 2011; yet more could be achieved. The MGF will seek to support private sector firms in the tourism sector to improve and will encourage efficiency along the value chain at the individual firm level and with associations that bring together different firms in the sector. Under the MGF, support shall be availed to any MSMEs or community-owned ventures in the tourism value chain that plan to establish a community-based-tourism business, such as accommodations, catering, transport, retail outlets, guiding, and entertainment. Support shall be availed to sectoral associations, professional associations, and any privately controlled institutions that support the tourism industry (such as those that promote the adoption of industry standards and ratings to improve the quality of products and services). Private sector firms will be supported to undertake activities to: (a) expand their tourism business investment; (b) perform tourism assistance activities, or recreational, cultural, and sporting activities; (c) supply goods and services in the tourism supply chain, including performing arts like dance, music, and fine arts rooted in local cultures; (d) make direct sales of goods and services to tourists, including agricultural products, food and beverages, handicrafts, guiding, entertainment, transportation services, and recreation; and (e) provide service related to nature-based tourism offerings involving local guides, such as hiking and trekking, or village-based tourism, where small groups of tourists stay in a traditional villages to learn about local life and culture.

(vii) ***Coffee*:** Coffee continues to play a leading role in Uganda's economy, currently contributing between 20-30 percent of the country's foreign exchange earnings. The BUDS/MGF grant support will help to establish coffee as a key growth subsector. The support to private sector enterprises will help increase their participation in the coffee value chain, reduce inefficiencies, and endeavor to eliminate constraints, thereby leading to increased incomes and competitiveness in the subsector.

(viii) ***Grains and pulses***: Maize and beans are widely used for household food and income security but they have also become increasingly important non-traditional export crops. Investment in these crops will increase the income, food, and nutritional security of many farming households. With support partly provided by the MGF, the productivity of beans could increase from current levels of 1.4 MT/ha to 2.5 MT/ha by 2017/18, leading to an increase of production from 900,000 MT to 2.5 million MT, which would subsequently lead to an increase in the potential for exports from 350,000 MT to 1,000,000 MT.

(ix) ***Horticulture*:** Horticulture is one of the most productive subsectors, with the potential to increase incomes and enhance food and nutritional security. It provides an opportunity for achieving the national development goals if integrated in the broader national development agenda. Priority needs to be given to horticulture research programs in terms of funding and development of capacity to enhance full exploitation and subsector competitiveness. There is lack of research along the value chains, and collaboration and coordination among ***research institutions and*** stakeholders are limited. Under the MGF, grant support will be extended to private sector firms along the different value chains. Support will be extended to enable increased production, standards, post-harvest handling, provide related training, and marketing.

(x) ***Edible oils***: The edible oil subsector is one of the fasted growing economic subsectors in Uganda. Even as Uganda's edible oil production registers tremendous growth, demand continues to outstrip supply, forcing the country to rely on imports. Edible oil is extracted from cotton, maize, simsim, sunflower, palms, and other crops. The private sector firms in this subsector can greatly improve; with support from the MGF, they will be assisted to undertake activities aimed at addressing the above highlighted areas and improving competiveness.

(xi) ***Fisheries****:* About 1.2 million Ugandans are employed in the fisheries sector but their livelihoods are threatened by the use of illegal gear, which leads to overfishing and threatens sustainability of the sector. The GoU is taking measures to reduce the use of illegal gear by over 50 percent, which is expected to reduce the harvest of immature fish by 70 percent, thereby increasing the commercial fish harvest to at least 200,000 MT per annum. With these measures in place, the potential of the sector will greatly increase and provision of matching grants to entrepreneurs in the sector will be very useful in improving their capacity across a number of dimensions.

(xii) ***Information technology/business process outsourcing (BPO):*** BPO is the strategic use of a third-party service provider to perform activities traditionally handled by internal staff and resources, freeing an organization to focus more on its core business. Companies in developed countries have business models that capitalize on global communication networks, cutting costs and improving efficiency by outsourcing services to a distant skilled work force. Uganda has great potential to become a preferred BPO destination in East and Central Africa. It is a member state of the East African Community and the Common Market for Eastern and Southern Africa (COMESA). The MGF will provide grants for MSMEs seeking to take advantage of this growing subsector, to build their competitiveness, and to match efforts in other developing countries. Grants will be given for activities in specific subsector and related business trainings, to firms seeking offshore business engagement, and for preparation of investment procedures, including business plans and other related services.

27. **The component will include improving BUDS systems for a larger scale roll-out**, including development of information systems, marketing, application of a business diagnostic tool, and development of subsidiary arrangements with other agencies to administer the program in each region and with business and subsector associations to extend outreach to rural areas. A complementary program (funded by the EU) has upgraded the ability of business associations and other agencies to facilitate them to become intermediaries to assess members' needs, group them, and seek appropriate BDS services.

28. **Funds under the component will be provided to procure BDS of the following types:**[45]

- ***Management training:*** the MGF can be used to acquire training programs on specialized managerial skills, including human resource management, to address the issue of limited managerial skills in MSMEs in Uganda.

- ***Acquisition of quality certification systems (ISO and HACCP***): to be able to access regional and international markets, enterprises are compelled to meet national and global standards. Such services have been sought by most firms and will now be targeted to the selected sector.

- ***Business plan preparation:*** to address the lack of well-prepared work/growth plans, and limited technical skills required to expand and grow their business and graduate in the different segments of MSME, business plan preparation will be one of the target activities financed under the program.

- ***Marketing:*** information on existing and new markets is critical for growing firms. Experience has shown that with technical knowledge and inputs, firms are able to access new markets and expand their presence in existing markets.

- ***Record keeping:*** managing and controlling firm resources is a challenge for most micro and small enterprises. Acquiring simple skills in bookkeeping has proven to be an important element for firms' growth.

- ***Financial management:*** financial management training and services will be provided to MSMEs through the MGF for preparation of financial accounts and audits (to help MSMEs in accessing bank credit) and also to assist the financial consulting industry in developing appropriate products. Besides improving their cash flow management, this service will address MSMEs' difficulty in accessing finance due to their inability to provide satisfactory financial documentation as required by commercial financial institutions.

- ***Production techniques and technologies***: this will focus on raising the skills, standards, and quality of firms in export supply chains, including enhancing the technologies of the selected sectors, so as to meet international standards based on demonstrated export orders. High-value agriculture export crops, particularly those produced by women, will be targeted.

29. **The Matching Grant Facility (MGF) will be implemented by the project coordination unit (PCU) within PSFU.** It is proposed that the BUDS/MGF follow the same methodology as the existing BUDS by having open submission of proposals (year round), as opposed to calls for proposal, to enhance reviews and tracking of beneficiaries, to make it easier

[45] Note that matching grants under the program will not be used for matching credit from banks.

to assess impacts on an ongoing basis, and to reduce opportunities for corruption.[46] This approach worked successfully under the PSCP II. To assess the project's effectiveness in reaching the project development objective, firm-level data will be collected from participating MSMEs in the beginning of the project and then annually. The communication strategy for this component is under preparation. Details of the MGF operation are outlined in the draft *MGF Operations Manual* prepared by PSFU and will be combined in the POM under preparation.

30. **Transparency of the MGF management will be ascertained through incorporating the following measures**:

- Grants will be awarded against an eligibility criteria as indicated in the POM;
- Calls for proposals will be carried out publically;
- All grant awards shall be publically published and most especially within the specific sectors the MGF is operating. This will be done to enable other players in the sector to know what others have done in order not to duplicate efforts;
- Award of grants of above US$50,000 shall be done by a MGF Approval Committee that shall have representatives from the implementing agency, private sector representatives and the MGF management.
- The MGF operations, including the awards, the clients and the entire process, shall annually be audited as indicated in the Operations manual.

31. **In determining whether a Matching Grant Beneficiary is eligible to obtain financing, PSFU will ensure that the following conditions are met**:

(i) The Matching Grant Beneficiary is a micro, small or medium enterprise, a firm or group of firms of entrepreneurs, an association or a group of associations, or a financing institution involved in financing micro, small and medium enterprise businesses, all duly established and operating under the laws of Uganda;

(ii) The Matching Grant Beneficiary is privately owned and operated, and is not fully or partly owned by the GoU or entities controlled by the GoU;

(iii) The Matching Grant Beneficiary is carrying out business as a micro, small or medium enterprise, except that Matching Grant Beneficiaries operating in the production of alcoholic beverages, weapons, tobacco, and in the gambling industry shall not be eligible; and

(iv) The Matching Grant Beneficiary has prepared an adequate business proposal for the attainment of which the GoU intends to obtain business services, which business plan shall, *inter alia*, include projected increases in sales revenue, the description of financial **resources required for its implementation, the anticipated sources of funds, the proposed** time frame of implementation and the benefits expected to be derived.

[46] Under the first-come, first-serve approach, all proposals are accepted as long as they meet eligibility criteria, as opposed to the potentially subjective selection of certain proposals submitted in a given window of time.

32. **This component will put emphasis on women-owned MSMEs** by reaching out to inform them about the services offered by the MGF and its benefits. The project will encourage women and women's cooperatives to make use of the MGF, promote their greater involvement in business associations.

33. **Impact - The expected benefits from the implementation of this component include the following:**

(i) *Creation of new jobs,* as experience has shown that this is bound to happen after BUDS completion. During the first BUDS, 538 firms and organizations were reached, of which 60 percent were from Kampala. During the second BUDS, the reach outside Kampala expanded by 10 percent (for a 50:50 split within and outside of Kampala). It is estimated that at least 29,000 jobs were created by the 839 firms and organizations reached in the second BUDS. It is, therefore, estimated that at least 500 firms in the selected seven sectors will be reached during the third BUDS, creating at least 15,000 jobs.

(ii) *Strengthened competitiveness of enterprises* and raised value addition in the selected subsectors through access to BDS. During the second BUDS, most firms reported that the services they received from the scheme helped them double their profits and increase their competitiveness. Most of the BDS utilized were in company diagnostics and planning, improvement and training in management systems, feasibility studies, and sales promotional activities in the domestic market.

(iii) *Strengthened linkages between firms themselves*, as well as between firms and markets, which will enable firms to be more competitive, create jobs, and grow. During the second BUDS it was reported that at least 49 percent of the firms assisted were able to access new domestic markets, 26 percent were able to access new regional market within the EAC, and 15 percent were able to access new international markets. The third BUDS intends to increase access to international and regional markets for the products of firms in the selected subsectors.

Component 5: Project Implementation (US$3.0 million)

34. **The CEDP will be implemented by PSFU and the MLHUD and PSFU will have the overall responsibility of project coordination.** The PCU will be established in PSFU to coordinate the implementation of three components: Business Registration and Business Licensing Reforms;[47] Tourism Competitiveness Development[48]; and the Matching Grant Facility. The MLHUD will be responsible for the implementation of the Land Administration Reform component[49].

[47] The POM will specify a substantial role for URSB in the project preparation (e.g., providing all of the technical specifications, participation in the evaluation).
[48] PSFU will implement the Tourism Competitiveness Development component working with the Director of Tourism, Wildlife and Antiquities at MoWTA, the Principal of HTTI, the Executive Director of UTB, and the Executive Director of UWA.
[49] Project Management of Land Administration Reform component is allocated US$1 million.

35. **Government of Uganda will contribute US$2.5 million as additional implementation costs in local currency to be used for operating expenses and also for RAP if needed**. An annual work plan will be agreed upon for utilization of these funds and cleared by IDA.

36. **The project staff contracted by the MLHUD and PSFU will provide ongoing support to project activities**, including those related to M&E of project results during implementation. To strengthen and complement capacities of PSFU and the MLHUD, the component will support staffing these institutions to strengthen project-related operational requirements, procurement, and financial management systems. All details will be provided in the Project Operations Mannual (POM).

37. **To address governance challenges encountered during implementation of the PSCP II, the project will build in prevention, deterrent and detection measures through collaboration with the Inspector General of Government (IGG)**. The INT investigated allegations of fraud and corruption related to the procurement of several contracts under PSCP II and found evidence that several firms engaged in fraudulent practices while bidding for the contracts. The investigation also found evidence that the procurement specialist engaged by the implementing agency under PSCP II received bribes from some of the firms awarded contracts under the project. The investigations resulted in the debarment of eight firms and six individuals. The procurement specialist and project manager were also removed. The CEDP will finance a diagnostic on the governance constraints of the key implementing agency to identify project-specific steps that could be undertaken through a Governance and Anti-corruption Action Plan (GAAP) to mitigate corruption risks in the project. In addition, based on lessons learned from the governance challenges encountered during implementation of the PSCP II as summarized in Annex 14, the project will build in preventive, deterrent, and detection measures for corruption through collaboration with the IG, the primary national agency constitutionally mandated to investigate and prosecute corruption cases. To allow the IG respond to any allegation of corruption in the project, the PSFU and MLHUD will expeditiously report any cases of suspected fraud and corruption in the project for action. The GoU is committed to fighting corruption and strengthening the IG and is currently working with development partners (the World Bank, DFID and DANIDA) to build capacity in this area. These efforts will continue throughout the life of the project. Further to these measures, the project will build in scope for non-state actors, professional groups, and civil society coalitions to monitor project implementation processes at all stages of the project to enhance the chances of meeting the PDO through enhanced transparency and sharing of reports on project performance.

38. **To inform beneficiaries about the reforms, the project will support communication campaigns** with businesses and the public using television, newspapers, radio, brochures, bulk SMSs, a two-way consultation portal, conferences, and seminars. These initiatives will also be important in preventing fraud and corruption, as the implementing agencies will remain in the spotlight throughout the project. The MLHUD will coordinate the outreach initiatives for the land component activities and PSFU will do so for the remaining components. Mobile and internet-enabled platforms can serve as effective mechanisms for the government to disclose information to a greater number of citizens, deliver new, innovative services, and allow for faster feedback from its citizens, including on cases of corruption. Therefore, various innovative ICT-

enabled mechanisms will be explored and implemented within this project to enhance informed and accountable relationships amongst the state, service providers, and citizens in Uganda.

39. **The project will support and strengthen the public-private sector partnership and dialogue and focus on policy dialogue on issues pertinent to competitiveness and increased levels of export growth.** To achieve this objective, the component will: (i) support the PSFU and other business membership organizations to participate in the policy dialogue with the Government and implement programs such as the proposed project; (ii) support the Government and private sector dialogue at different levels. Support will be provided to membership organizations on the basis of transparent, results oriented criteria, for activities that enable them to improve services to their members and to effectively represent them (for example, through technical studies) on policy issues. It will also provide support for selected forums and mechanisms for dialogue. In addition support will be provided to PSFU in the design and modernization of the management systems to execute, monitor, supervise, and evaluate the project's performance, as well as its project implementation functions.

Annex 3: Implementation Arrangements

UGANDA: Competitiveness and Enterprise Development Project (CEDP) (P130471)

PROJECT INSTITUTIONAL AND IMPLEMENTATION ARRANGEMENTS

1. **The CEDP will be implemented by PSFU and the MLHUD and PSFU will have the overall responsibility of project coordination.** The PCU will be established in PSFU to implement Business Registration and Business Licensing Reforms;[50] Tourism Competitiveness Development;[51] and the Matching Grant Facility. The MLHUD will be responsible for implementation of the Land Administration Reform component.

2. **The MoFPED will formally delegate responsibility for project implementation to PSFU and the MLHUD**. The assignment of implementation functions and the transfer of funds to PSFU will be detailed in a subsidiary agreement to be signed by the government and PSFU[52].

3. **PSFU has prior experience in implementing World Bank-financed projects, as it was the implementing agency for the World Bank's PSCP I and II projects**. Although two years ago under the PSCP II INT established that there was fraud and corruption in procurement processing, leading to the debarment of eight firms and six individuals, PSFU successfully addressed these challenges. The procurement specialist and project manager solely responsible for the fraud were removed. Subsequently, PSFU put in place a strong governance mechanism, including a board projects subcommittee, an audit committee, and a Contracts Committee. This has led to better project implementation and PSFU's track record for the last two years has been unblemished. Its board monitors project implementation by receiving monthly reports on the project.

4. **The MLHUD is the implementing agency for a new World Bank-funded Uganda Support to Municipal Infrastructure Development Program for Results operation and a Trust fund Cities Alliance program**. While the MLHUD currently has weak contract management capacity and there are delays by technical departments in making their contribution to procurement processing, this will be addressed by hiring additional staff to support the Ministry in implementing the project.

5. **Project experts contracted by the PSFU and the PCU will supervise and coordinate the project.** These experts will include a project manager, a procurement specialist, a financial management specialist/accountant, a matching grants specialist, civil engineers, quantity surveyors, a clerk of works, an environmental specialist, and an internal auditor.[53] Where

[50] The POM will specify a substantial role for URSB in the project preparation (e.g., providing all of the technical specifications, participation in the evaluation).

[51] PSFU will implement the Tourism Competitiveness Development component working with the Director of Tourism, Wildlife and Antiquities at MoWTA, the Principal of HTTI, the Executive Director of UTB, and the Executive Director of UWA.

[52] The proposed arrangement is similar to the one used in the PSCP II.

[53] Certain experts will be contracted only by PSFU (i.e., matching grants specialist, tourism development specialist) or only by the MLHUD (i.e., additional engineers, quantity surveyors, a clerk of works). Other experts will be

adequate skills are available within the implementing agency, no new recruitments will be carried out.

6. **Fiduciary aspects of the project will be managed by the ED/PSFU and the PS/MLHUD**, who will also be responsible for: (i) project financial management, including project accounts, payments, disbursements of IDA funds, project budgeting, and auditing; (ii) procurement; (iii) monitoring of project progress and evaluation of results; and (iv) reporting to the GoU and IDA. The financial and procurement assessments of the project are detailed below.

7. **To ensure proper coordination and supervision of the project, a Project Steering Committee (PSC) will be established to provide policy guidance and oversight and a Project Technical Committee (PTC) to provide day-to-day technical guidance and supervision of the project activities. The PSC and PTC shall be in place by effectiveness:**

- **PSC**. The PSC will be chaired by the Permanent Secretary/Secretary to the Treasury, meet quarterly and in addition will comprise: the Permanent Secretaries from MLHUD, MoTWA, MITC, and MoJCA, which are responsible for the respective project components; five private sector representatives – namely, the chairpersons of PSFU, the Uganda National Chamber of Commerce and Industry, the Uganda Manufacturers Association, the Uganda Tourist Association, and the Uganda Hotel Owners Association, national coordinator for the CICS, and members of the PTC comprising of, the Executive Director of PSFU, the Executive Director of UWA, the Executive Director of UTB, the Principal of HTTI, the Registrar General of URSB, and the Director of Land Management. The scope of the PSC's work will be to provide strategic guidance and policy formulation and to receive and take action on reports from the PTC.

- **PTC**. The PTC will comprise the Executive Director of PSFU, the Executive Director of UWA, the Executive Director of UTB, the Director of Tourism at MoTWA, the Principal of HTTI, the Registrar General of URSB, and the Director of Land Management. The PTC will be responsible for overall project implementation including: (i) development and approval of annual plans for project activities, the project budget, and a consolidated procurement plan, as well as regular reviews of project M&E data to determine progress and make adjustments, if need be, to ensure satisfactory achievement of end-of-project outcomes; (ii) consensus building on key policy issues related to implementation; and (iii) monitoring of issues related to implementation of reforms and environmental and social due diligence work. The PTC, whose secretariat will be at PSFU, will meet monthly and prepare quarterly reports to the PSC. Figure A3.1 provides a diagram of the implementation arrangements.

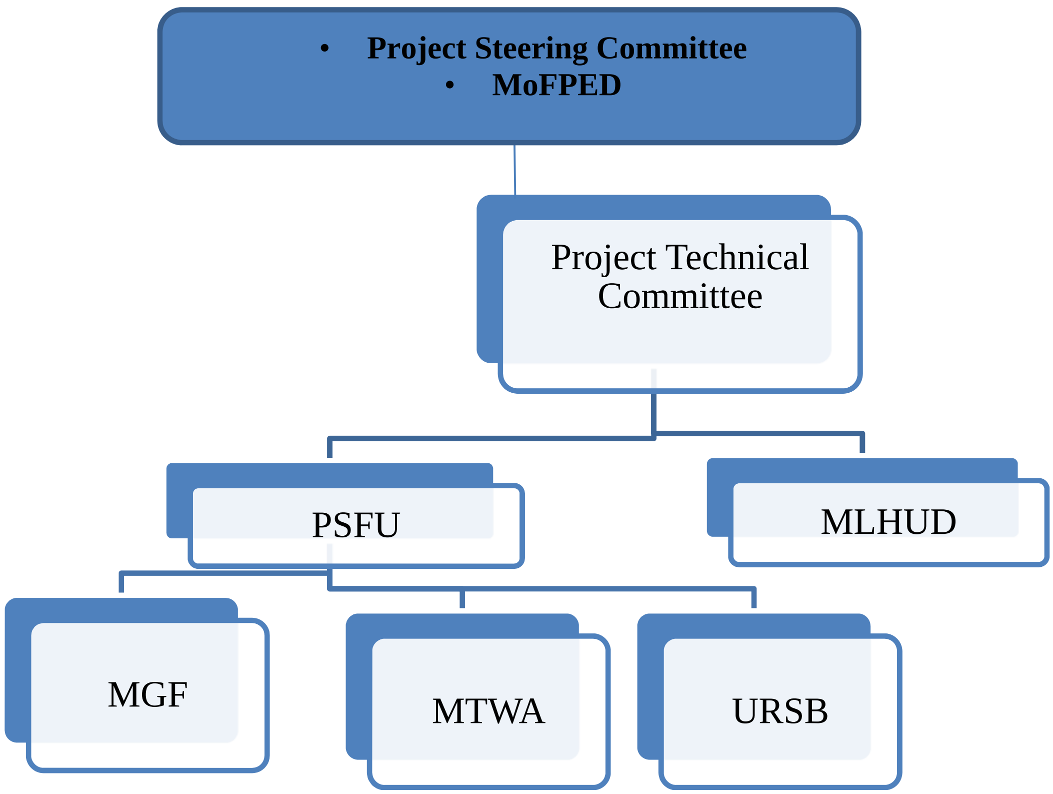
8. **An additional technical committee comprising technical heads of the Lands Registration, Land Administration, Surveys and Mapping, Director of Housing, Physical**

---

needed to build the capacity of both agencies, so separate experts will be contracted by each (e.g., financial management specialist, procurement specialist).

Planning, Urban Planning, Land Valuation, and Land Commission will be established to provide technical oversight to the Land Administration Reform component. The same arrangement exists under the PSCP II. The MLHUD will submit quaterly progress reports to the PTC. The performance of the MLHUD will be evaluated semi-annually against agreed targets and review by IDA. The procurement requirements for the Land Administration Reform will be undertaken by the project staff in the MLHUD under the supervision of the Permanent Secretary.

Figure A3. 1: Project Administration Mechanisms



9. **The POM shall include provisions on the following matters**: (a) skills enhancement activities for sustained achievement of the Project's objectives; (b) a financial management plan, setting forth the detailed policies and procedures for financial management under the Project; (c) the detailed policies and procedures for procurement management under the Project; (d) institutional administration, coordination and day to day execution of Project activities, and usage of ESMF and RPF as well as site-specific ESIAs/ESMPs and RAPs; (e) monitoring and evaluation; (f) reporting; (g) information, education and communication of Project activities; and (h) such other technical and organizational arrangements and procedures as shall be required for the Project. The POM is currently being prepared and its final version is a condition of credit effectiveness.

10. **Financial management and procurement assessments of PSFU and the MLHUD were carried out and mitigation measures will be put in place**. Competent staff will be hired to take into account the additional responsibilities associated with the project.

11. **In view of the experience of implementing the PSCP II, the project will institute measures to ensure that project implementation and reporting are streamlined.** These measures will state that:

- The PCU will be accountable to the Executive Director and subsequently to the Board of Directors of PSFU.
- A Project Contracts Committee made up of staff from PSFU, the Solicitor General's office, URSB, UWA, and MoWTA will be constituted to provide oversight over procurement processing for the components to be implemented by PSFU.
- The Project Coordinator will meet on a monthly basis with representatives from the beneficiary agencies (URSB, MoWTA, UTB, UWA, HTTI) to receive the requirements from the agencies, discuss project implementation progress and challenges, and formulate solutions to any constraints.
- A comprehensive mid-term review of the Project will be held not later than 30 months from the effectiveness date. During this review, progress of the project and performance of the implementing agencies will be assessed.
- Financial management reviews will be carried out every six months by any of the top five international audit firms, over and above those conducted by the Auditor General.
- Independent Procurement audits will be done annually by a Consultancy firm with ToR acceptable to IDA.
- All members of the evaluation teams will appear before the Contracts Committee to confirm participation in the evaluation, and will sign an oath as provided under the PPDA Act.
- Bids and proposals submitted by bidders and consultants will be required to have tape binding to minimize the risk of insertion of additional information after the deadline for submission.
- ICT-enabled citizen feedback and grievance redress mechanisms will be introduced as a way to get feedback on the quality of services provided through this project and as a preventive measure for corruption, especially in support of Components 1 and 2.

PSFU

12. **PSFU is Uganda's apex body for the private sector**. It is made up of over 155 business associations, corporate bodies, and the major public sector agencies that support private sector growth. Since its founding in 1995, PSFU has served as a focal point for private sector advocacy as well as capacity building and it continues to sustain a positive dialogue with the GoU on behalf of the private sector. PSFU aims to strengthen private sector capacity for effective policy advocacy and market competitiveness.

13. **The mission of PSFU** is to strengthen and expand private sector influence, capacity, and initiative through: the organization and mobilization of the resources of members and the private sector; the implementation of effective policy and advocacy activities; the development of strong private sector institutions; and the promotion of sustainable private sector solutions to Uganda's national, regional, and global development challenges.

14. **The mandate of PSFU is to**:

- Carry out policy research and advocacy on behalf of the private sector.
- Provide a forum for the discussion of policy issues and their impacts on the private sector in Uganda.
- Maintain a dialogue with the GoU on behalf of the private sector.
- Undertake capacity building for the private sector through training and the provision of BDS.

15. **PSFU is governed by a Board of Directors responsible for policy direction while the day-to-day running of its affairs is the responsibility of a secretariat managed by an Executive Director and a management team**. The strategic direction of the organization is guided by a three year corporate plan (2010-2013), revised and approved in June 2010, whose implementation started in July 2010. The current vice-chair of PSFU's Board is a woman, and 20 percent of the current Board members are women.

16. **PSFU has experience in successful project implementation.** Over the last 10 years, it has been responsible for implementing the World Bank's PSCP I and II. Since its inception in 1995, PSFU has also managed BUDS' matching grant schemes, with a five-year budget of 5 million pounds, supported by the World Bank, the EU, and now DFID. Under the PSCP II, PSFU has been managing an enterprise skills linkage program aimed at enhancing skills development, thereby raising the productivity of enterprises. As part of its advocacy agenda, PSFU emphasizes the need for the private sector to engage in corporate social responsibility activities such environmental protection, children's welfare, health and HIV/AIDS-related issues at home and in the workplace, and the fight against corruption. PSFU has close partnerships and collaborations with NGOs like the African Capacity Building Foundation, the Global Alliance for Improved Nutrition (an initiative of the Bill and Melinda Gates Foundation), the Health Initiative for the Private Sector (HIPS), and the Global Fund.

FINANCIAL MANAGEMENT, DISBURSEMENTS AND PROCUREMENT

Financial Management Arrangements

Executive Summary

17. **This report is a record of the initial results of the assessment of the proposed financial management arrangements for the CEDP estimated at US$100 million** to be implemented by seven direct participating institutions i.e. MLHUD, MoTWA, PSFU, URSB, UTB, UWA and the HTTI. This project will be mainstreamed within the existing set-up of the participating ministries and institutions. PSFU will coordinate and report implementation of the project activities in UTB, UWA, URSB, MoTWA and the HTTI. The objective of the assessment is to determine: (a) whether the participating institutions have the adequate financial management arrangements to ensure that project funds will be used for purposes intended in an efficient and economical way; (b) CEDP financial reports will be prepared in an accurate, reliable and timely manner; and (c) the entities' assets will be safeguarded. The financial management (FM) assessment was carried out in accordance with the Financial Management Practices Manual issued by the Financial Management Sector Board of the Bank.

18. **Due to previous experience and various institutions involved in implementing this project, the preliminary assessment of the overall financial management risk rating before mitigation is high and after fully analyzing identified risks and mitigating measures put in place, the residual risk is Substantial**. The proposed action plan to be implemented by the entities to strengthen the financial management arrangements is appended.

19. **Country Issues:** The PFM framework in Uganda is developed to a great extent. The present framework for budget formulation, execution, and audit is provided by the Budget Act 2001, the Public Finance and Accountability Act (PFAA) 2003, Prevention of Corruption Act 1970, Local Government Financial and Accounting Regulations 2007, and the National Audit Act 2008. The Budget Act prescribes the budget information that government presents budgets to Parliament. The Act also regulates budget procedures within Parliament. The PFAA provides the legal framework for enhancing the control and management of public resources and strengthening fiscal transparency and accountability.

20. **Uganda's Public Financial management systems have undergone reforms over the last ten years**. The country has been rated consistently above average for SSA on PEFA scores with the latest done in 2012. Major improvements have been made in budget classification, budget formulation, minimizing overall deviations, making the budget more in line with agreed strategies and policies by adopting a medium-term expenditure framework (MTEF) and successfully implementing the Oracle-based Integrated Financial Management System (IFMIS) across the whole of central government and several local governments, agencies and external audit.

21. **Successful adoption of the MTEF has improved the overall allocative efficiency of budget resources**. It has strengthened the budgeting processes by linking planning at the sector level with budget allocations. Budget execution has also improved. A key ingredient that has led to this success has been a well-functioning PFM reform program anchored in well performing institutional arrangements for regular dialogue and monitoring PFM reforms. Despite this progress, significant challenges do remain. Reforms need to percolate to lower local governments. Internal audit still remains weak and managing arrears has been a problem for quite some time, coupled with the need to improve discipline in budget management, reinforcing tax administration and strengthening payroll and pension controls. Budget credibility has continuously declined with supplementary budgets becoming a norm by the executive.

22. **Recent fraud cases in central government during FY 2011 and 2012 especially in The Office of the Prime Minister (OPM) and Ministry of Public Service has exposed weaknesses in the PFM system mainly arising out of collusion among individual officers in Treasury and the ministries**. Fraud and Corruption is still pervasive and some of it at grand-scale for public funds including petty corruption. Bribery is common in obtaining basic services in many government Ministries, Departments and Agencies, including land registry, health care, fighting cases in courts, securing contracts and dealing with police. During implementation of the predecessor project (PSCP II), various investigations carried out by INT discovered a number of fraudulent procurements perpetuated mainly by one staff member that led to debarring of contractors involved.

Implementation Arrangements:

23. **Discussions were held between the Bank preparation mission and the various Ministries and Agencies regarding implementation arrangements**. The largest component of Land Administration Reform will be implemented by MLHUD. The Ministry is currently implementing three Bank grants under the Cities Alliance program and will be implementing the USMID P4R program.

24. **Three other components (Tourism Competitiveness Development, Business Registration and Business Licensing, and Matching Grants Facility) will be coordinated by the PSFU** led by the ED. The financial management operations will be handled by the finance department headed by the Director Finance who supervises a Project Accountant and Accounts Assistants. The project accountant will report to the ED. They will be responsible for consolidating reports from MoTWA, UTB, URSB, UWA and the HTTI in Jinja. PSFU has been implementing Bank-financed projects for the last 16 years and are thus knowledgeable in Bank procedures.

Risk Assessment and Mitigation:

25. **The objectives of the project's financial management system are**:

- to ensure that funds are used only for their intended purposes in an efficient and economical way;
- to ensure that funds are properly managed and flow smoothly, adequately, regularly and predictably in order to meet the objectives of the project;
- to enable the preparation of accurate and timely financial reports;
- to enable project management to monitor the efficient implementation of the project; and
- to safeguard the project assets and resources.

26. **Furthermore, the following are necessary features of a strong financial management system**:

- an adequate number and mix of skilled and experienced staff;
- the internal control system should ensure the conduct of an orderly and efficient payment and procurement process, and proper recording and safeguarding of assets and resources;
- the accounting system should support the project's requests for funding and meet its reporting obligations to fund providers including Government of Uganda, IDA and other partners;
- the system should be capable of providing financial data to measure performance when linked to the output of the project; and
- an independent, qualified auditor should be in place to review the Project's financial statements and internal controls.

27. **The table below identifies the key risks that the project management may face in achieving these objectives and provides a basis for determining how management should address these risks**.

Table 2 : Financial Management Risk Assessment Matrix

Risk Description	***Risk Rating***	***Risk Mitigating Measures Incorporated into Project Design***	**Risk rating after mitigation**	***Condition of Negotiations, Effectiveness***
Inherent Risk				
Country Level- Recent fraud cases in central government and the 2012 PEFA report show weaknesses in government PFM systems.	H	Weaknesses such as weak accounting capacity, budget credibility, payroll rules and procurement compliance are being mitigated under a government PFM reform program called FINMAP. New legislation is being crafted to freeze and confiscate property acquired fraudulently.	S	
Entity Level-Line ministries involved could delay in submitting relevant reports due to weak capacity. There has been corruption cases in the lands sector	H	The two entities' management will be enhanced by recruiting contracted personnel to boost capacity. New measures to improve governance have been adopted like Whistle blowing policy and Anti-fraud & Anti-corruption strategy at PSFU & MLHUD. PSFU will coordinate all other entities' activities for prompt reporting. The Association will conduct regular FM reviews to ensure compliance.	S	
Project Level- It is a complex project implemented by six participating institutions including ministries, private sector and autonomous organizations hence difficult to monitor.	S	This will be mitigated by agreed accountability procedures issued by PSFU and agreed by participating institutions spelling out duties and responsibilities together with staff specifically assigned to the project. PSFU will ensure proper coordination. There will also be joint evaluation committees drawn from these entities.	M	
		Overall Inherent Risk	Substantial	

Risk Description	***Risk Rating***	***Risk Mitigating Measures Incorporated into Project Design***	**Risk rating after mitigation**	***Condition of Negotiations, Effectiveness***
Control Risk	Risk Rating			
Budgeting and Accounting				
Although all Bank funded projects are captured under the annual National budget, not all Ministries record project transactions in the government accounting system IFMS	S	PSFU uses Sun Systems computerized accounting software which is sufficient for project accounts. MLHUD will be preparing accounts manually using excel spread sheets and risks will further be mitigated in the future by MoFPED installing a projects' module within the IFMS to be used for project accounting.	M	
Internal Control- Inability to follow up reported internal control weaknesses.	H	The participating institutions have qualified and experienced internal auditors who will include the project within their work plans to ensure the internal audit unit carries out its role within the project as per their Internal Audit charters. This will also be spelt out in the project manual. The Association will conduct regular FM reviews to ensure compliance.	S	
Financial Reporting- Financial Information may be late and unreliable for purposes of preparation of required reports.	S	The participating institutions need to produce standard formats of unaudited Interim Financial Reports (IFRs) that will be used for CEDP. Strict compliance with the quarterly reporting schedule will be emphasized. The IFR formats were agreed upon with the Bank during negotiations.	M	Yes- condition of negotiation
External Audit- Late preparation of financial statements leading to delayed audit reports	M	Timely engagement of OAG or Independent auditors will be emphasized for annual project audits with TORs acceptable to the Bank.	L	
		Overall Risk Rating	**Substantial**	

H – High S – Substantial M – Moderate L – Low

28. **The overall residual risk is expected to be Substantial upon implementing mitigating measures and meeting the conditions in the risk assessment and mitigation table above**.

29. **A detailed FM assessment has been done and arrangements are envisaged as follows**:

MLHUD

Budgeting:

30. **Government planning and budgeting procedures which are documented in the government's Treasury Accounting Instructions, 2003 are followed**. These arrangements have been found to be adequate. There is also a planning unit that is responsible for budgeting in each ministry. All other departments are involved in the budgeting process. The capacity of the accounting staff to fulfill budgeting needs of the project is adequate and they will be reinforced by contracted staff. Over all, Bank funded projects are integrated in the national budget and forms part of it.

Accounting and Staffing Arrangements:

31. **MLHUD will implement the proposed Land Administration Reform component as a continuation of the successful efforts implemented under PSCP II and the project's financial management transactions will be mainstreamed within the Ministry with the Permanent Secretary as the overall accounting officer**. Daily operations will be handled by the finance department headed by a Principal Accountant and a designated project accountant. Due to work load and frequent government transfers, a support team of contracted staff will be recruited including a professional accountant to support the Ministry. These contracted staff will work within existing departments and the project accountant will be responsible for all Bank projects and will report to the Principal Accountant.

Internal Control:

32. **The existing Treasury Accounting Instructions 2003 issued under the Public Finance and Accountability Act 2003 acts as a Financial Management Manual-FMM** which describes the accounting system, i.e. major transaction cycles of the project; funds flow processes; the accounting records, supporting documents, computer files and specific accounts in the financial statements involved in the processing of transactions; the list of government accounting codes used to group transactions (chart of accounts); authorization procedures for transactions; the financial reporting process used to prepare the financial statements, including significant accounting estimates and disclosures; financial and accounting policies. These policies will be supplemented by the project operations manual.

Internal Audit:

33. **The ministry has qualified and experienced internal auditors**. The head of the unit administratively reports to the Accounting Officer who is the Permanent Secretary and

functionally to the Director for Inspectorate and Internal Audit in the MoFPED. The unit issues out reports on a quarterly basis based on their review of the internal control system of the ministry and management at the ministry takes action on the report. The commissioner Internal Audit in the MoFPED also receives copies of the audit reports for eventual consolidation.

PSFU:

34. **Budgeting**: Individual departments are involved in the budgeting process. Finance department provides the necessary support during budget preparation process. PSFU budget procedures are followed while developing budgets. Management reviews budgets and submits them to the board for approval. The capacity of the accounting staff to fulfill budgeting needs of the project is adequate.

35. **Accounting:** PSFU will maintain similar books of accounts to those for other IDA funded projects. The books of accounts to be maintained specifically for CEDP should, thus, be set up and should include: a Cash Book, ledgers, journal vouchers, fixed asset register and a contracts register. There is a list of accounts codes (Chart of Accounts). The Chart of accounts allows project costs to be directly related to specific work activities and outputs of the project.

36. **Staffing Arrangements**: PSFU is adequately staffed with qualified and experienced accounting staff. The function is composed of four staff headed by the director finance who reports to the Executive Director. Otherwise the PSFU structure currently has a Finance Director, one Project Accountant, one Accountant and one Accounts Assistant.

37. **Information Systems**: PSFU uses Sun Systems computerized accounting software. This package is capable of producing project financial reports instantly and will be used to produce reports for this project. The staff are also well trained to use this software. The system also safeguards the confidentiality, integrity and availability of data

38. **Internal Controls**: PSFU has a financial management manual that describes the accounting system i.e. major transaction cycles of the project; funds flow processes; the accounting records, supporting documents and specific accounts in the financial statements involved in the processing of transactions; the list of accounting codes used to group transactions (chart of accounts); the accounting processes from the initiation of a transaction to its inclusion in the financial statements; authorization procedures for transactions; the financial reporting process used to prepare the financial statements, including significant accounting estimates and disclosures; financial and accounting policies for the Project; budgeting procedures; financial forecasting procedures; procurement and contract administration monitoring procedures.

39. **Internal Audit:** The Internal Auditor reports administratively to the CEO and finally to the Board through the Audit Committee. The internal auditor issues out reports based on his/her review of the internal control system of the organization and management takes action on the recommendations as guided by the Internal Audit charter. This position has been vacant and a selected candidate signed a contract in March 2013. The qualification and experience of the selected internal auditor are adequate.

Banking and Funds Flow

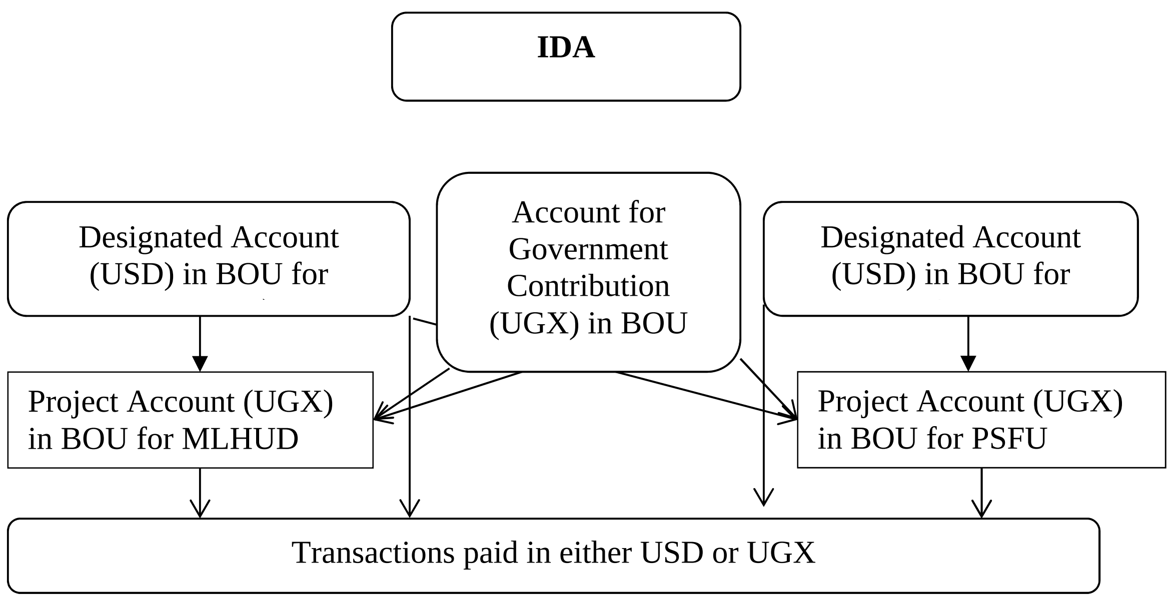
40. **Designated Bank accounts and Project Accounts will be maintained by the two main entities**: MLHUD with the largest component and PSFU for purposes of serving the other participating entities of MoTWA, URSB, UWA and UTB. Designated Accounts: Denominated in US dollars, disbursements from the IDA Credit will be deposited in these accounts.

- Project Accounts: These will be denominated in local currency. Counterpart funds and transfers from the Designated Account (for payment of transactions in local currency) will be deposited in this account in accordance with project objectives.

41. **These bank accounts shall be opened at Bank of Uganda in accordance with the Financing Agreement**.

42. **The signatories for the accounts, in the case of the ministries, will be in accordance with the Treasury Accounting Instructions**. Payments will be approved and signed by The Accounting Officer (Permanent Secretary) as the principal signatory and the person authorized by the Accountant General who in this case is the Principal Accountant. As for other institution it will be the Chief Executive officers as principal signatories and Finance Directors or other authorized officers.

Project Funds Flow Chart:



Disbursement Arrangements

43. **The two implementing institutions have established effective financial management and accounting systems** which will facilitate the use of report based disbursement where cash flow forecasts based on work plans are submitted for a period of six months every quarterly period along with Interim Financial Reports (IFRs). The IFRs will be submitted for disbursement on a quarterly basis. In compliance with the report based guidelines, we will expect the project to (a) sustain satisfactory financial management rating during project supervision; (b) submit IFRs

consistent with the agreed format and content within 45 days of the end of each reporting period; and (c) submit a Project Audit Report by the due date, within six months after the end of the financial year.

44. **The institutions will be expected to submit a six months cash flow forecast after effectiveness based on its work plan using the report based method of disbursement to IDA for disbursement**. IDA will then deposit funds into the Designated Accounts and these funds will be used by the Borrower to finance IDA's share of program expenditures under the proposed Credit.

45. **Upon effectiveness, the institutions will have the following disbursement methods during implementation for the different components: advances, reimbursements, direct payments and special commitments**. If ineligible expenditures are found to have been made from the Designated Account, the Borrower will be obligated to refund the same. If the designated account remains inactive for more than six months, the Borrower may be requested to refund to IDA amounts advanced to the Designated Account.

46. **IDA will have the right, as reflected in the Financing Agreement, to suspend disbursement of the Funds if reporting requirements are not complied with**.

Table 3 : IDA Financing Table by Category (US$)

Category	**Amount of the Financing Allocated (expressed in USD)**	**Percentage of Expenditures to be Financed (inclusive of Taxes)**
(1) Goods, works, non-consulting services, consultants' services, Training and Operating Costs for Parts 1 and 5 (b) of the Project	55,000,000	100%
(2) Goods, works, non-consulting services, consultants' services, Training and Operating Costs for Parts 2, 3 and 5 (a), (c) and (d) of the Project	37,000,000	100%
(3) Matching Grants for Part 4 of the Project	8,000,000	100%
TOTAL AMOUNT	100,000,000	100%

Financial Reporting Arrangements

47. **Formats of the various periodic financial monitoring reports will be generated and will have clear linkages between the information in these reports and the Chart of Accounts**. The financial reports should provide quality and timely information to the project management, implementing agencies, and various stakeholders monitoring the project's performance

48. **The following quarterly IFRs will be produced by the institutions**:

- A statement of Sources and Uses of Funds for the reported quarter and cumulative period (from project inception) reconciled to opening and closing bank balances; and
- A statement of uses of funds (expenditure) by project activity/component comparing actual expenditure against the budget, with explanations for significant variances for the quarter.

49. **In addition to the above IFRs, the institutions will also submit to the Association the following information in order to support report-based disbursement**:

- Designated Account (DA) Activity Statement.
- Copies of Bank Statements covering the period being reported.
- Summary Statement of DA Expenditures for Contracts subject to Prior Review.

50. **The institutions agreed the format for the IFRs with the Association**.

EXTERNAL AUDITING ARRANGEMENTS

51. **The Auditor General is primarily responsible for the auditing of all government projects**. Usually, the audit may be subcontracted to a firm of private auditors, with the final report being issued by the Auditor General, based on the tests carried out by the subcontracted firm. The private firms to be sub-contracted should be acceptable to the Bank. In case the audit is subcontracted to a firm of private auditors, IDA funding may be used to pay the cost of the audit. The audits are done in accordance with International Standards on Auditing. Appropriate terms of reference for the external auditor have been developed by the Office of Auditor General in collaboration with the entities and agreed with the World Bank. The annual audit reports are due for submission to the Bank six months after the end of the financial year.

52. **Supervision**: The World Bank will conduct FM implementation support missions depending on the project progress, and the mission's objectives will include that of ensuring strong financial management systems are maintained for the project throughout its life. A review will be carried out regularly to ensure that expenditures incurred by the project remain eligible for funding. The Implementation Status Report (ISR) will include a financial management rating for the project that will be arrived at after an appropriate review.

53. **Financial Management Action Plan**: Finally, the action plan below indicates the actions to be taken for the project to strengthen its financial management system and the dates that they are due to be completed by.

	Action	Date due by	Responsible
1	Opening designated bank accounts in Bank of Uganda	Before Disbursement.	PSFU/MLHUD
2	Audited financial statements annually	Six months after the FY end	PSFU/MLHUD
3	Recruit FM Specialist	Before Effectiveness	PSFU/MLHUD
4	Agreement on financial reporting formats.	Before Negotiations	PSFU/MLHUD

54. **Conclusion**: The overall residual risk is Substantial upon implementing mitigating measures. A description of the project's financial management arrangements above indicates that they satisfy the Bank's minimum requirements under OP/BP10.02, the system can adequately provide, with reasonable assurance, accurate and timely information on the status of the project as required by the IDA and the two entities have previous experience managing Bank projects.

PROCUREMENT

Background

55. **Procurement for the proposed project will be implemented by two agencies namely MLHUD and PSFU**. PSFU will also procure for the entities under Component 2 and 3 (Business Registration and Business Licensing and Tourism Development Initiatives), which are URSB, MoTWA (including HTTI), UWA, and UTB.

A. Applicable Guidelines

56. **Procurement for the proposed project would be carried out in accordance with** the World Bank's "Guidelines: Procurement under IBRD Loans and IDA Credits" dated January 2011; and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated January 2011, Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants, dated October 15, 2006 and revised in January 2011, and the provisions stipulated in the Financing Agreement. The items under different expenditure categories to be procured, identified by appraisal, are indicated in the "Scope of Procurement under the project" section.

B. Applicable Procedures

57. **Advance Contracting and Retroactive Financing** shall apply for this project which allows the Borrower to proceed with the initial steps of procurement before signing the related Bank loan. In such cases, the procurement procedures, including advertising, shall be in accordance with the Guidelines in order for the eventual contracts to be eligible for Bank

financing, and the Bank shall review the process used by the Borrower. A Borrower undertakes such advance contracting at its own risk, and any concurrence by the Bank with the procedures, documentation, or proposal for award does not commit the Bank to make a loan for the project in question. The retroactive date will be 12 months before the date of signing of the Financing Agreement and the amount of financing is up to US$2 million.

Use of National Procurement System

58. All contracts procured at the national level following National Competitive Bidding (NCB) and other lower procurement procedures such as Shopping, may follow the national public procurement law (the Procurement and Disposal of Public Assets Authority (PPDA) Act, 2003) and attendant regulations**. These procedures have been reviewed by the Bank and found to be acceptable, except for the following provisions, *which will not be applicable under this project:***

(i) Negotiations with the best evaluated bidder shall not apply for goods/non-consulting services and works procured using competitive methods; however, for civil works, technical discussions to agree on work programs, method statement and other technical matters related to contract implementation with an awarded bidder are permissible.

(ii) The merit point evaluation for goods and works for bid evaluation shall not be applied for goods and works contracts except for IT systems and design and build contracts

(iii) Application of Domestic Preference under NCB. Domestic Preference shall only be applied under ICB.

(iv) Micro-procurement: Micro-procurement as defined in the PPDA Act will only apply for contracts estimated to cost the equivalent of US$150 or less.

(v) Charging of fees for dealing with bidder complaints at procuring entity level. The procuring entities shall not be allowed to charge fees for dealing with complaints.

(vi) Selection of Consultants: The procedures for Selection of Consultants under the PPDA Act shall not apply. Only the Bank's guidelines shall apply for selection of all Consultants under the project.

(vii) Evaluation of Goods and Works: The following documentation or their equivalent shall not be treated as eligibility requirements: (i) Tax clearance certificates; (ii) Tax registration certificates; (iii) trading licenses, and (iv) the PPDA Certificate of Registration. Documents (i) – (iii) may however be included as post qualification requirements, which the Borrower can request the Bidder to avail during the evaluation.

(viii) Disqualification of Bidders for not purchasing the bidding documents from the Borrower shall not apply.

(ix) Ineligibility shall in addition to firms suspended by PPDA extend to firms debarred or suspended by IDA.

59. Under the proposed project, procurement processing under the project shall also in addition to the World Bank guidelines comply with the national approval system except where the two conflict, when the World Bank Guidelines will take precedence. Specifically, the Contracts Committees shall perform their oversight functions at every key procurement stage as required by the PPDA Act, and contracts shall be subjected to the Solicitor General's clearance where applicable.

60. ***Procedure for Shopping****:* Shopping shall follow the Request for Quotation (RFQ) procedures as defined in the PPDA Act and attendant regulations. These procedures have been reviewed by the Association and found to be satisfactory subject to the exceptions under para 58.

61. **Use of Framework Agreements (FAs)**: Common supplies, for example, stationery and consumables will be aggregated and procured through framework contracts to enable implementing agencies place orders for urgently needed supplies at short notice, at a competitive price. FAs shall not restrict foreign competition, and should be limited to a maximum duration of 3 (three) years. FA procedures applicable to the project are those of the Borrowers that have been deemed acceptable by the Association, and shall be described in the Financing Agreement.

62. It has been agreed with the Borrower, that bidding documents under NCB procedures include a clause rendering ineligible for Bank financing a firm, or an individual, of the Borrower country that is under a sanction of debarment from being awarded a contract by the appropriate judicial authority of the Borrower country and pursuant to its relevant laws, provided that the Bank has determined that the firm, or the individual, has engaged in fraud or corruption and the judicial proceeding afforded the firm or the individual adequate due process.

63. The Consultant Guidelines shall apply for the selection of Procurement Agents and Construction Managers, as well as inspection services providers. The cost or fee of the Procurement Agents and Construction Managers or inspection services providers (see paragraph 3.12) is eligible for financing from the Bank loan, if so provided in the Loan Agreement and in the Procurement Plan, and provided that the terms and conditions of selection and employment are acceptable to the Bank.

64. Procurement under Public Private Partnership (PPP) Arrangements - Where the Bank is participating in financing the cost of a project or a contract procured under PPP arrangements such as a BOO/BOT/BOOT, concessions or similar type of private sector arrangement, either of the following procurement procedures shall be used, as provided for in the Loan Agreement and further elaborated in the Procurement Plan approved by the Bank:

C. Solicitation Documents to be used

65. *Goods and Works*: The Bank's standard bidding documents and standard bid evaluation form will be used for procurement under ICB, and may also be used for procurement under NCB with appropriate modifications. Alternatively, for NCB the standard tender documents for procurements of Supplies prepared and issued by the PPDA may be used subject to modifications to be agreed with the Bank for the Standard Bidding Documents (SBDs) for goods and works, such as the following:

i. Only the "Technical Compliance Selection methodology" (award to the lowest evaluated responsive bidder) as defined in the Act shall be adopted, but with necessary modifications to include post qualification requirements for all contracts. The rest of the methodologies shall not be used, even for NCB, for the procurement of goods, works and non-consulting services.

ii. The Preliminary Evaluation/Eligibility criteria will exclude submission of the following documentation or their equivalent: (i) Tax clearance certificates; (ii) Tax registration certificates; (iii) trading licenses, and (iv) the Articles of incorporation or Registration of a firm which will instead be included as post qualification requirements, which the Borrower can request the Bidder to avail during the evaluation. The PPDA Certificate of Registration shall neither an evaluation nor an eligibility criterion.

iii. Ineligibility shall in addition to firms suspended by PPDA extend to firms debarred or suspended by IDA.

iv. In accordance with paragraph 1.16(e) of the Procurement Guidelines, each bidding document and contract shall provide for the following: (i) the bidders, suppliers, contractors and subcontractors shall, on request, permit the Association to inspect the accounts and records relating to the bid submission and performance of the contract, and shall have the accounts and records audited by auditors appointed by the Association; and (ii) any deliberate and/or material violation of such provision by any bidder, supplier, contractor or subcontractor may amount to an obstructive practice provided for in paragraphs 1.16(a) and (v) of the Procurement Guidelines.

66. ***Consulting Services***: The Bank's Standard Request for Proposal document and sample form of evaluation report will be used in the selection of consulting firms. The PPDA procedures for selection of Consultants including bidding documents, evaluation forms, etc., shall not apply for this project.

Record Keeping

67. **For each implementing agency, the Head of the Procurement and Disposal Unit of the (MLHUD and PSFU) will be responsible for record keeping and shall open a procurement file for each contract processed**. The file should contain all documents on the procurement process in accordance with the requirements and as described in the PPDA Act. Each implementing Agency will ensure that there is adequate lockable storage space for active files, and for archiving.

D. Scope of Procurement under the Project

Procurement activities to be financed by the Bank identified by appraisal are indicated below, while other activities will be identified during project implementation:

68. ***Procurement of Works*****:** Works procured under this project would include:

a) Under MHLUD, (i) Construction of nine zonal land offices in Mpigi, Luwero, Mityana, Kabale, Rukungiri, Tororo, Soroti, Mukono and Moroto (US$2.0 m), and (ii) Rehabilitation and modernization of the Institute of Survey and Land Management - construction of a dormitory for girls and a multi-purpose hall (US$0.7 m)

b) Under PSFU, civil works include construction of the Hotel and Tourism Training institute Jinja at (US$4.2 m).

69. ***Procurement of Goods***: Goods procured under this project would include:

(a) Under PSFU: (i) Phase I Business Registration Software Solution Platform(off-the-shelf) including basic hardware for hosting solution and associated database), and Phase II Integration of Business Registration platform with technical platforms of Tax Authority and Social Security, Banks and UBOS (US$1.2 m), (ii) Online business licensing off-the-shelf solution (including basic hardware for hosting solution and associated database), (US$2.5 m), (iii) Power Generators: Lot 1: 150 KVA power generator for the head office including power earthing; Lot 2: 20 KVA generator for the 10 branches offices (US$0.3m), (iv) Document Rehabilitation, Sorting, Scanning, Indexing, Re-filing, physical file storage and uploading into the system for the 10M estimated historical records (US$1.0 m), (v) 150 Desktop computers, 150 1KVA UPS, five Laptop computers, 2 15 KVA UPS for backup (0.25 m),(vi) UWA Integrated Financial Systems Soft-ware and installation (US$0.7 m), (vii) Vehicles: Lot 1: four Tour Buses. Lot 2: four Overlander /Game drive vehicles and four vehicles (US$1.6m), three No. Boats (US$0.72 m), (viii) Installing the smartcard access system to six National parks (US$0.3 m)

(b) Under MHLUD: (i) Enhancing the LIS to support land registration, land valuation and physical development planning functions and roll it out from the six pilot zonal land offices to all the 21 zonal land offices in the country (US$7 m), and (ii) Rehabilitation and modernization of the Institute of Survey and Land Management - supply of training equipment (US$0.3 m)

70. ***Procurement of Non-Consultant Services***: The activities to be identified during project implementation:
Under MHLUD: (i) Demarcating and registering high value rural and peri-urban land based on a detailed survey of land boundaries to issue 100,000 title deeds (US$2.0 m),
(ii) Systematic demarcation and registration (US$8.0 m), (iii) Demarcating and registering communal lands in the names of CLAs with priority given to northern and eastern regions of Uganda (US$2.0 m).

71. ***Selection of Consultants***: The consulting services from firms required for the project shall comprise of contracts for: (i) Tourism sector International marketing/PR agency (US$0.4 m), (ii) Design and implement a Tourism Management Information System (TMIS) (US$0.437 m), (iii) Design and implement inspection and grading of hotel and tourist accommodation facilities framework for quality assurance, Piloting the system in three central districts of Kampala, Wakiso and Mukono, and Roll out (US$0.3 m), (iv) Rollout of smartcard access system to six National parks (US$0.310 m), Design and Construction Supervision of nine zonal land offices in Mpigi, Luwero, Mityana, Kabale, Rukungiri, Tororo, Soroti, Mukono and Moroto (US$0.4 m), (v) Developing the land valuation function through reviewing the policy and legal framework (US$0.5 m), (vi) Developing a valuation data base and systems to link with the LIS, collecting necessary field data and developing capacity in the public and private sectors, (US$0.7 m), (vi) Developing a legal and policy framework for land-related housing and urban

development and designing programs for implementation (US$0.5 m), (vii) Developing and implementing policies for geodetic reference framework, national spatial data infrastructure and mapping (US$0.5 m), (viii) Completing and modernizing the horizontal geodetic reference framework including two continuously operating reference stations (US$3.0 m), (ix) Producing base maps for land administration and sharing them with other users in the country (US$5.0 m), (x) Design and Construction Supervision of Hotel and Tourism Training Institute Jinja (US$0.6 m), and (xi) Design and Construction Supervision of a dormitory for girls and a multi-purpose hall at the Institute of Survey and Land Management (US$0.3 m)

72. **The selection will be done using the Bank's Standard Request for Proposal (SRFP) for all Consultancies**. Short lists of consultants for services estimated to cost less than US$300,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

73. ***Operating Costs***: The Project will finance costs of the two implementing, and the Beneficiary agencies that directly relate to project implementation. The Project's operating costs include expenditures for maintenance of equipment, facilities and vehicles used for Project Implementation, consisting of costs of office rental, vehicle rental, fuel, routine repair and maintenance of equipment, vehicles and office premises, communication costs, use of internet costs, stationery and other office supplies, utilities used for Project Implementation, consumables, travel per diems, accommodation expenses, workshop venues and materials, and costs of translation, printing, photocopying and advertising. These will be procured using IDA procedures or the Borrower's procurement, financial and other administrative procedures, acceptable to the Bank. Salary top-ups, meeting allowances, sitting allowances and honoraria to civil/public servants and contracted consultants shall not be financed by the project.

74. ***Training****:* The project will formulate an annual training plan and budget which will be submitted to the Bank for its prior review and approval. The annual training plan will, inter alia, identify: (i) the training envisaged; (ii) the justification for the training, how it will lead to effective performance and implementation of the project and or sectors; (iii) the personnel to be trained; (iv) the selection methods of institutions or individuals conducting such training; (v) the institutions which will conduct training, if already selected; (vi) the duration of proposed training; and (vii) the cost estimated cost of the training. Upon completion of training, the trainee shall be required to prepare and submit a report on the training received. A copy of the training report will be kept for IDA review. Additionally the CEDP's Project Operations Manual shall specify how candidates eligible for the graduate training shall be selected. These procedures shall ensure equal opportunity to all eligible participants.

E. Capacity Assessment of the Proposed Project Implementing Agencies

Procurement Capacity of MHLUD and PSFU

75. **A procurement capacity assessment for MHULD was carried out on January 24 2012, while that for PSFU was conducted on February 28, 2013**. Capacity of the Beneficiary Agencies[54] to fulfill their role in the procurement cycle was also assessed.

76. **MHLUD has a Procurement and Disposal Unit (PDU) and Contracts Committee in place**. The PDU is headed by a Principal Procurement Officer who is supported by a Senior Procurement Officer and two Procurement officers. The HPDU has extensive experience of over 18 years spanning the private and public sector as well as a trainer/lecturer. The Procurement budget is approximately UGX 7,295,885,000/= (about US$2.9 million) for this Financial year 2012/13 funded by the Government of Uganda. MHLUD is also the main implementing Agency for the proposed Uganda Support to Municipal Infrastructure Development project (USMID) at Central Government. The PDU staff are proficient in procurement processing under PPDA guidelines, but lack proficiency in IDA financed procurement management particularly the Selection of Consultants. However, the HPDU has experience under ADB funding. Among the files reviewed was one on Consultancy services where there were complaints alleging fraud in the processing of a Consultancy service where of the three bidders. The complaint was dismissed on grounds that it was time-barred as it was submitted outside the time allowed for by the PPDA Act but the risk remains. It is the Government of Uganda's policy to rotate procurement staff at least every three years, which may affect the project in terms of loss of institutional memory of events during implementation. The HPDU indicated that he was due for rotation this FY.

77. **In view of the findings, it is recommended that MHLUD hires a Procurement Specialist proficient in IDA procurement Management and with Terms of Reference (ToR) acceptable to IDA to**: (i) handle procurement processing for CEDP reporting directly to the Contracts Committee; (ii) provide hands-on coaching and mentoring of PDU staff. PSFU has a PDU and Contracts Committee in place.

78. **The PSFU Procurement Unit has only one staff, a Procurement Officer, who is supported by four interns, particularly for filing of records, issuance and receipt of bidding documents, and participation in evaluation**. During the last two years of PSCP II, a Procurement Consultant was engaged, whose role among others was to build the procurement skills of the Procurement Officer who is now fairly grounded but will need support of a senior colleague due to his limited experience of five years, about 4.5 of which he was a Procurement Assistant. PSFU implemented the PSCP II[55] project, under which the Integrity Department

[54] PSFU shall procure for the entities under Component 2 and 3 (Business Registration and Business Licensing and Tourism Development Initiatives), which are URSB, UWA, UTB and MoTWA (including HTTI)
[55] PSCP2 closed on February 28, 2013.

(INT) conducted investigations into fraud and corruption on civil works contracts[56] that led to the debarment of eight firms and six individuals. It was also established that the fraud was perpetuated by the then Procurement Specialist. The INT also established that the Project Management Systems and controls were very weak. Thus, the Procurement function of PSFU cannot be viewed on its own without looking at the Accountability and Governance structures of PSFU to ensure integrity of Procurement processing. Under CEDP, the PCU will report to the Executive Director and the Board of Directors, and will be required to follow the PSFU Anti-corruption policy. Under the CEDP, PSFU will also procure for the entities under Component 3 (Tourism Competitiveness Development), which are MoTWA, UWA, URSB, and UTB.

79. **Assessment of the capacity of these agencies established that all agencies have the requisite Procurement structures in place**. MoTWA, UWA, URSB, and UTB will prepare the Technical Specifications, and Terms of Reference for their requirements, and have identified activities to be executed under the project including Consultants to provide technical skills/support where the need arises. It is imperative that the procurement oversight arrangements include representation from these agencies to facilitate their full participation and ownership of the project. In this regard, MoTWA, UWA, URSB, and UTB will have representation at the Contracts Committee, and will participate in the preparation of bidding documents, evaluation, and take a lead in the contracts management of their respective contracts together with the PSFU team.

80. **It was established from the procurement records reviewed during the capacity assessment that the procedures followed in the procurement processing[57] in the MHLUD and PSFU are, in general, compliant with the PPDA Act**. In all agencies, the procurement files reviewed were found to be generally complete with reference Number or contract name (MHLUD has both) for every procurement file and the files were easily retrievable. The noted weaknesses were: (i) documents on the payment and contract management were missing, (ii) the different stages of procurement were not separated or clearly identified in the files for MHLUD, and (iii) there is inadequate space[58] for archives as well as for keeping of records for active files, which compromises the safety and confidentiality of the documents as well as the credibility of the procurement processing. All agencies require additional cabinets and other storage facilities for active files, as well as space for archives files for which processing is complete. MHLUD has identified a room for which shelves will be procured for archiving purposes, but the constraint of space for storage of active files remains. PSFU uses containers for archiving but more space for seating of staff is required.

[56] The civil works contracts were executed jointly with MHLUD who participated in the preparation of the bidding documents, evaluation and contracts management.
[57] Preparation of documents, management of bidding process, bid evaluation and contract award.
[58] For example, in MHLUD, some of the records are kept on the floor, on the top of cupboards, desks and open shelves, while in PSFU the records are kept on top of desks, cupboards and in open shelves in a cubicle area shared with nine other staff, with one entrance also used to access three other offices near the cubicles.

81. **The mission reviewed the MHLUD Draft Procurement plan** for FY12/FY12 under Government of Uganda funding, based on new PPDA format, which was compiled/consolidated after receiving input from the different departments. PSFU had a procurement plan for the PSCP2 which closed on February 28, 2013. The procurement plan for PSFU activities other than PSCP2 was not availed.

User Departments in MHLUD and PSFU

82. Technical Departments must be adequately staffed with skills and numbers to ensure timely support to the procurement function. Deficiencies in the technical departments pose a high risk to the project implementation, and are considered a critical constraint to procurement processing as it impedes the capacity of the Technical Departments to carry out their role in the procurement cycle in a timely and efficient manner. The implementing agencies agreed to put in place arrangements that will ensure timely recruitment of staff to support project implementation. The Bank team will monitor the staff levels during project implementation and highlight any risks that may arise.

83. **For MHULD,** only 62 percent of the MHLUD structure is filled, but with high vacancy rate of 33 – 50 percent in the departments that will implement CEDP. The Ministry staff advised that the existing Staff have adequate technical capacity to support the project given that the activities are similar to those implemented by the MHLUD mandate. However, the staff are inadequate in number to handle the proposed project tasks in addition to their existing workload. The project will be implemented under the (i) the Directorate of Land Management - Departments of Land Registry, Land Administration, Surveys and Mapping and the Land Sector Reform Coordination Unit, (ii) the Directorate of Physical Planning and Urban Development under the Departments of Physical Planning, Land Use Regulation and Compliance and Urban Development, and (iii) Directorate of Housing under the Department of Housing Development and Estates Management. It was however agreed with MHLUD that during implementation, any identified capacity gaps will be filled through recruitment by Public Service Commission, and if there are delays in doing this, particularly with regard to implementation needs for the CEDP, the required personnel will be hired as Individual Consultants under CEDP. In order to ensure hiring of the personnel will be on track, ToRs have been developed and are ready.

Vacancy rates in key departments that will implement CEDP:

Organizational Unit	Total Approved	Numbers by Category		Vacancy Levels by Category (No's)		Vacancy % by Category	
		Executive (U4-1)	Support	Executive (U4-1)	Support	Executive (U4-1)	Support
Land Administration Department	13	9	4	3	1	33%	25%
Directorate of Physical Planning and Urban Development - Physical Planning	27	16	11	8	3	50%	27%
Department of Land Use Regulation and Compliance	21	18	3	8	1	44%	33%
Directorate of Housing - Office of Director	5	2	3	1	1	50%	33%
Department of Housing and Estate Management	33	23	10	11	3	48%	30%

84. **For PSFU, the "user departments" are the Beneficiary agencies.** The capacity of these agencies was assessed, and it was established that PSFU, UWA, URSB, HTTI, MoTWA[59] and UTB all have the requisite Procurement structures in place but there are varying levels of technical capacity and staffing levels, and age of agencies. The agencies have capacity to participate in the procurement cycle by preparing technical specifications and terms of reference, participate in preparation of the bid document/RFP, attend the opening of bids/proposals, participate in the evaluation, participate in preparation of the contract documents, take a lead in contract management for example verify the deliverables and provide technical support to the process working closely with PSFU. The agencies have identified capacity gaps for the CEDP project implementation, which will be mitigated by hiring of Individual Consultants at PSFU for cross cutting issues such as Civil Engineer, M&E, Procurement, Financial Management, but also for specific gaps particular to an agency.

85. **PSFU will recruit staff to implement CEDP save for the Project Coordinator/Manager who will be retained from the PSCP2 project given his highly regarded performance in the last two years, the unquestionable integrity and to make use of his experience and lessons learnt**. However, PSFU as an agency has benefitted from the project more so in improving the internal controls such as the role of the Board of Directors in monitoring project implementation, the internal audit function and the Anti-corruption policies which will form a solid basis for the execution of CEDP. PSFU will recruit additional staff with ToR acceptable to IDA under CEDP funding to enhance capacity not only to implement but also to provide oversight over the project implementation.

[59] Is a newly created Ministry will all systems still being built

Procurement Risk Rating

86. In view of the findings, the risk of MHLUD and PSFU to the project is High.

Agreed Action Plan:

87. The following Action Plan to mitigate the overall risk has been developed and agreed upon with MHLUD and PSFU at appraisal:

Risk	Action	Completion Date	Responsible Entity
Inadequate PDU staff proficiency in IDA financed procurement management	Recruit one Procurement Specialist[60] proficient in IDA financed procurement management to (i) handle procurement processing for CEDP reporting directly to the Contracts Committee; (ii) provide hands-on coaching and mentoring of PDU staff;	By one month after effectiveness	MHLUD and PSFU
	PDU staff to attend training at a procurement training institute (eg. ESAMI, GIMPA) in (i) procurement of works; and (ii) selection of consultants	By six months after Effectiveness	MHLUD and PSFU
	A Training workshop facilitated by IDA Procurement Team for staff involved in project implementation to provide basic knowledge of World Bank procedures.	After Negotiations	MHLUD and PSFU
Inadequate space for storage of procurement records and seating of PDU staff	Establish an acceptable record keeping system; Provide additional storage space for keeping of procurement records for contracts being processed, and seating of PDU staff	Within twelve months of Effectiveness	MHLUD and PSFU
Non-clarity of roles and responsibilities between implementing agencies and beneficiary agencies and between user departments and PDU,	Include Procurement section in Project operations manual to clarify roles and responsibilities of staff	By project effectiveness	MHLUD and PSFU
Inadequate No, of Technical Staff in MHLUD	Recruit one Quantity Surveyor and 1 No. Civil Engineer, and bring the staffing level in all departments executing CEDP to 70 percent	By six months after Effectiveness	MHLUD
Inadequate No, of Technical Staff in PSFU	Recruit at a minimum Specialists in Civil Engineer, Procurement, Financial Management.	By six months after Effectiveness	PSFU

[60] This procurement specialist will be supporting not only CEDP but also other World Bank-financed projects, such as Uganda Support to Municipal Infrastructure Development (USMID) and trust fund Cities Alliance

Beneficiary agencies not being fully involved in project implementation	Each Beneficiary agency under PSFU to submit names of members for Contracts Committee and Project Technical Committee to PSFU. MoTWA, UWA, URSB, HTTI and UTB will participate in the preparation of bidding documents, evaluation, and take a lead in the contracts management of their respective contracts together with the PSFU team.	By project effectiveness At Project Implementation	PSFU, UTB, MoTWA, HTTI, UWA, URSB
Risk of Fraud and Corruption	Bidder's conference on tackling fraud and corruption. All works/goods procured through NCB and ICB and all Consulting have include pre-bid and pre-proposal meetings to be attended by IGG staff to provide caution on fraud and corruption. Independent Parallel Bid Evaluation for all civil works contracts and consulting services for design and construction supervision of civil works. Enhanced record keeping by safes opened by two people – the Procurement Officer and the Accounting Officer. Each member of the Evaluation Committee will appear before the Contracts Committee to confirm participation and also sign the PPDA issued Code on Ethics (Form PP 211) and Integrity for each Evaluation that they participate in. The implementing agencies will put in place database of Financial records of the Bidders to check misrepresentation. Each agency will put in place a Quality Assurance Officer to ensure that the Bidding Documents and Contracts are issued and signed respectively as cleared by IDA. Procurement Notice Board to include Poster or Banner indicating telephone Nos of the implementing agency to which fraud and corruption issues should be reported as well as IDA 'S INT'S No.	One month after Effective Date At Project Implementation At Project Implementation At Project Implementation At Project Implementation At Project Implementation At Project Implementation At Project Implementation	MHLUD and PSFU

	and email and that of the IGG.		

Frequency of Bank Supervision

88. In addition to the prior review supervision to be carried out from Bank offices, the capacity assessment of the Implementing Agency has recommended at least a bi-annual supervision mission to visit the field, at least one of which shall include carrying out post review of procurement actions.

F. Prior Review Thresholds

89. The prior review thresholds are as follows:

Procurement of Goods, Works and Non-consulting services			
Expenditure Category	Contract Value (Threshold) USD	Procurement Method	Contracts Subject to Prior Review
1. Works	>=5,000,000 < 5,000,000 <100,000	ICB NCB Shopping	All Contracts Selected Contracts as indicated on PP First contract under this method
2. Goods and Non-consulting services	>=500,000 <500,000 <50,000	ICB NCB Shopping	All Contracts Selected Contracts as indicated on PP First contract under this method
All categories	All values	Direct Contracting	All
Selection of Consultants[61]			
Expenditure Category	Contract Value (Threshold) USD	*Selection Method*	Contracts Subject to Prior Review
(a) Firms[62]	>=300,000 <300,000	QCBS, QBS, FBS, LCS Qualifications/Other Selection Methods	All contracts Selected Contracts as indicated on PP
(b) Individual	<= 5,000	IC	Selected Contracts as indicated on PP
Firms and Individual	All values	SSS	All contracts

[61] All Terms of Reference regardless of cost will be subject to clearance by the Association.

[62] A shortlist of consultants for services estimated to cost less than US$300,000 equivalent per contract may consist entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

G. Procurement Plan

90. **The Borrower, at appraisal, developed a procurement plan for project implementation which provides the basis for the procurement methods**. The Plan was prepared in a format acceptable to IDA. This plan was agreed between the Borrower and the Project Team on March 27, 2013 and is available at the MHLUD and PSFU offices on Plot no. 13/15 Parliament Avenue and Plot 43, Nakasero Road, all in Kampala respectively. It will also be available in the project's database and in the Bank's external website. The Procurement Plan will be updated in agreement with the Project Team annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

Details of the Procurement Arrangements Involving International Competition

(a) List of contract packages to be procured following ICB and Direct Contracting:

Procurement Packages with Methods and Time Schedule –

1	2	3	4	5	6	7	8	9
Ref. No.	**Contract (Description)**	**Estimated Cost ($mill) – excludes local taxes**	**Procurement Method**	**Pre-qualification (yes/no)**	**Domestic Preference (yes/no)**	**Review by Bank (Prior / Post)**	**Expected Bid-Opening Date**	**Comments**
A) WORKS								
Tourism								
1.	Construction of the Hotel and Tourism Training institute Jinja[63]: Lot 1: Teaching Hotel, instructional Buildings, Lot 2: 2 No.Hostel	5,000,000	ICB	No	No	Prior	March 2014	NCB subject to prior review[64]
MHLUD								
2.	Construction of up to nine zonal land offices in Mpigi, Luwero, Mityana, Kabale, Rukungiri, Tororo, Soroti, Mukono, and Moroto, once feasibility is	2,000,000	NCB	No	No	Prior	Feb 2014	NCB subject to prior review(see footnote)

[63] To include: (i) Solar Systems, (ii) Water Harvesting system

[64] The first NCB contract for each implementing agency will be subject to IDA prior review to allow Borrowers to execute while building their capacity in IDA procedures

1	2	3	4	5	6	7	8	9
Ref. No.	**Contract (Description)**	**Estimated Cost ($mill) – excludes local taxes**	**Procurement Method**	**Pre-qualification (yes/no)**	**Domestic Preference (yes/no)**	**Review by Bank (Prior / Post)**	**Expected Bid-Opening Date**	**Comments**
	finalized							
3.	Rehabilitation and modernization of the Institute of Survey and Land Management – proposed construction of a dormitory for girls and a multi-purpose hall, once feasibility is finalized	700,000	NCB	No	No	Post	April 2014	
B) GOODS								
URSB								
4.	Phase I Business Registration Software Solution Platform(off-the-shelf) including basic hardware for hosting solution and associated database). Phase II Integration of Business Registration platform with technical platforms of Tax Authority and Social Security, Banks and UBOS.	$1,200,000	ICB	No	No	Prior	Feb 2015	
5.	Online business licensing off-the-shelf solution.	$2,500,000	ICB	No	No	Prior	Feb 2014	
6.	Document Rehabilitation, Sorting, Scanning, Indexing, Re-filing, physical file storage and uploading into the system for the 10M estimated historical records	$1,000,000	ICB	No	No	Prior	April 2014	
7.	150 Desktop computers , 150	$249,000	NCB	No	No	Prior	October 2013	

1	2	3	4	5	6	7	8	9
Ref. No.	**Contract (Description)**	**Estimated Cost ($mill) – excludes local taxes**	**Procurement Method**	**Pre-qualification (yes/no)**	**Domestic Preference (yes/no)**	**Review by Bank (Prior / Post)**	**Expected Bid-Opening Date**	**Comments**
	1KVA UPS five Laptop computers, 2 15 KVA UPS for backup							
Tourism								
8.	UWA Integrated Financial and Fleet Management Systems Software and installation	300,000	ICB	No	No	Prior	September 2013	
9.	UWA Fleet Management System	190,000	NCB	No	No	Post	May 2013	
10.	Vehicles: six tour buses and 10 game drive vehicles and 3 No. Double Cabin Pickups	800,000	ICB	No	No	Prior	September 2013	
11.	Country branding promotional materials	200,000	NCB	No	No	Post	Sept 2014	
12.	Tourism management information system	150,000	NCB	No	No	Post	Sept 2014	
13.	Instructional support equipment for HTTI: 3 No. washing machines. 12 No. Kitchen training stations,	500,000	ICB	No	No	Prior	Sept 2014	
14.	Hotel/Tourism training proprietary software	50,000	NCB	No	No	Post	Sept 2014	
	MoTWA, UWA and HTTI 50 No. Computers	90,000	NCB	No	No	Post	June 2013	
MLHUD								
15.	Enhancing the LIS to support land registration, land valuation and physical development planning functions and roll it out from the six pilot zonal land offices to all the 21 zonal land offices in the country	7,000,000	ICB	No	No	Prior	November 2013	
16.	Rehabilitation and modernization of	300,000	NCB	No	No	Prior	November 2013	

1	2	3	4	5	6	7	8	9
Ref. No.	**Contract (Description)**	**Estimated Cost ($mill) – excludes local taxes**	**Procurement Method**	**Pre-qualification (yes/no)**	**Domestic Preference (yes/no)**	**Review by Bank (Prior / Post)**	**Expected Bid-Opening Date**	**Comments**
	the Institute of Survey and Land Management - supply of training equipment							
C) NON CONSULTANCY SERVICES								
MLHUD								
17.	Systematic demarcation and registration of individual lands using two approaches, one for rural land charting land parcels on an orthophoto to issue 800,000 land titles/certificates following the Rwanda approach	8,000,000	ICB	No	No	Prior	October 2013	
18.	Demarcating and registering communal lands in the names of CLAs with priority given to northern and eastern regions of Uganda	2,000,000	ICB	No	No	Prior	November 2013	
19.	Demarcating and registering high value rural and peri-urban land based on a detailed survey of land boundaries to issue 100,000 title deeds.	2,000,000	ICB	No	No	Prior	December 2013	

B. Selection of Consultants

1. Short list comprising entirely of national consultants: Short list of consultants for services, estimated to cost less than $200,000 equivalent per contract, may comprise entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

2. Consultancy Assignments with Selection Methods and Time Schedule

1	2	3	4	5	6	7
Ref. No.	**Description of Assignment**	**Estimated Cost (US$mill)**	**Selection Method**	**Review by Bank (Prior / Post)**	**Expected Proposals Submission Date**	**Comments**

1	2	3	4	5	6	7
Ref. No.	**Description of Assignment**	**Estimated Cost (US$mill)**	**Selection Method**	**Review by Bank (Prior / Post)**	**Expected Proposals Submission Date**	**Comments**
1.	Design and implement a Tourism Management Information System (TMIS)	200,000	QCBS	Prior	20 May 2013	
2.	Design and implement inspection and grading of hotel and tourist accommodation facilities framework for quality assurance, Piloting the system in three central districts and Roll out.	225,000	QCBS	Prior	20 June 2013	
3.	Ministry-wide staff needs and organizational design assessment.	100,000	QCBS	Prior	20 December 2013	
4.	Rollout of smartcard access system to six National parks.	250,000	QCBS	Prior	20 May 2013	
5.	Design and Construction Supervision of up to nine zonal land offices in Mpigi, Luwero, Mityana, Kabale, Rukungiri, Tororo, Soroti, Mukono, and Moroto, once feasibility is finalized	400,000	QCBS	Prior	20 May 2013	
6.	Developing the land valuation function through reviewing the policy and legal framework.	500,000	QCBS	Prior	22 December 2013	
7.	Developing a valuation data base and systems to link with the LIS, collecting necessary field data and developing capacity in the public and private sectors.	700,000	QCBS	Prior	22 December 2013	
8.	Developing a legal and policy framework for land-related housing and urban development and designing programs for implementation.	500,000	QCBS	Prior	22 October 2013	
9.	Developing and implementing policies for geodetic reference framework, national spatial data infrastructure and mapping.	500,000	QCBS	Prior	22 October 2013	
10.	Completing and modernizing the horizontal geodetic reference framework including two continuously operating reference stations.	3,000,000	QCBS	Prior	22 October 2013	
11.	Producing base maps for land administration and sharing them with other users in the country.	7,000,000	QCBS	Prior	20 May 2013	
12.	Reviewing the legal, institutional and operational aspects of the Uganda Land Commission and recommending programs for implementation.	300,000	QCBS	Prior	20 May 2013	

1	2	3	4	5	6	7
Ref. No.	**Description of Assignment**	**Estimated Cost (US$mill)**	**Selection Method**	**Review by Bank (Prior / Post)**	**Expected Proposals Submission Date**	**Comments**
13.	Systematic demarcation and registration of individual lands using two approaches, one for rural land charting land parcels on an orthophoto to issue 800,000 land titles/certificates following the Rwanda approach.	8,000,000	QCBS	Prior	20 May 2013	
14.	Demarcating and registering communal lands in the names of CLAs with priority given to northern and eastern regions of Uganda.	2,000,000	QCBS	Prior	20 May 2013	
15.	High value rural and peri-urban land based on a detailed survey of land boundaries to issue 100,000 title deeds.	2,000,000	QCBS	Prior	20 May 2013	
16.	Reviewing the judiciary’s court processes and rules to improve court performance in the adjudication of land cases.	1,000,000	QCBS	Prior	Jan 2014	
17.	Reviewing the legal and institutional framework required to restore and support the functioning of land tribunals.	1,000,000	QCBS	Prior	Jan 2014	
18.	Review of the organization and functions of the land administration and management institutions in line with the on-going modernization efforts to enhance efficiency and sustainability.	200,000	QCBS	Prior	Jan 2014	
19.	Design and Construction Supervision of Hotel and Tourism Training Institute Jinja.	600,000	QCBS	Prior	May 2013	
20.	Design and Construction Supervision of a dormitory for girls and a multi-purpose hall at the Institute of Survey and Land Management.	300,000	QCBS	Prior	May 2013	
21.	Reviewing the skill gaps in public and private institutions (including professional associations) in the land sector and implementing capacity development programs.	3,000,000	QCBS	Prior	Jan 2014	
22.	Developing and implementing gender, civil society engagement and communication strategies.	400,000	QCBS	Prior	November 2013	
23.	Analysis, process mapping and drafting of procedural and regulatory changes aimed at reducing the time and cost to register a business.	200,000	QCBS	Prior	September 2013	
24.	Analysis, process mapping and drafting of procedural and regulatory changes aimed at streamlining the licensing regime in priority sectors such as tourism and	450,000	QCBS	Post	January 2014	

1	2	3	4	5	6	7
Ref. No.	**Description of Assignment**	**Estimated Cost (US$mill)**	**Selection Method**	**Review by Bank (Prior / Post)**	**Expected Proposals Submission Date**	**Comments**
	construction.					
25.	Procurement Specialist MLHUD.	108,000	ICS	Prior	June 2013	
26.	Procurement Specialist PSFU.	108,000	ICS	Prior	June 2013	
27.	Monitoring and Evaluation PSFU.	108,000	ICS	Prior	June 2013	
28.	Project Coordinator PSFU.	120,000	SSS	Prior	June 2013	
29.	One Senior ICT Specialist.	108,000	ICS	Prior	June 2013	
30.	Tourism Technical Specialist.	60,000	ICS	Prior	June 2013	
31.	Database Administrator.	60,000	ICS	Prior	June 2013	
32.	Hotel Technical Specialist.	108,000	ICS	Prior	June 2013	
33.	One Systems Analyst.	21,600	ICS	Prior	June 2013	
34.	Communications Specialist.	12,000	ICS	Prior	June 2013	
35.	Project Accountant PSFU.	108,000	ICS	Prior	June 2013	
36.	Project Accountant MHLUD.	108,000	ICS	Prior	June 2013	
37.	Civil Engineer PSFU	108,000	ICS	Prior	June 2013	
38.	Technical Advisor on LIS for MHLUD	150,000	SSS	Prior	June 2013	
39.	CEDP Spatial Data Processing Center Manager – Entebbe.	194,000	ICS	Prior	June 2013	

IMPLEMENTATION ARRANGEMENTS FOR ENVIRONMENTAL AND SOCIAL SAFEGUARDS

91. **Project's environmental and social impacts will be limited to those commonly associated with small civil works typical for office construction,** such as noise, dust, presence of construction workers, increased construction traffic, and generation of construction waste, etc. during construction, and generation of municipal waste, wastewater and increased traffic during

operation. In addition, land take or displacement of livelihoods to accommodate the new construction may take place.

92. **Project's civil works** will support rehabilitation or construction of Zonal Land Offices in selected districts throughout Uganda[65], including (i) the construction of the zonal land office in Luwero and (ii) the construction of a new hotel building on the site of the HTTI in Jinja. There also are several other offices under consideration, pending the finalization of their feasibility. The ESIAs/ESMPs and RAPs for these additional offices will be prepared during project implementation following the approach defined in the ESMF and RPF.

93. **The project triggers OP 4.01 as it has a potential of localized, site-specific adverse environmental impacts** associated with rehabilitation and civil works for construction and rehabilitation of administrative, training and tourist facilities, particularly the district land offices and hotel school facilities. These include construction waste, dust and noise pollution during construction, impact of increase construction traffic, social and health impacts due to temporary establishment of workers' camps, etc. Most of these impacts are well known and can be mitigated using standard good construction practice embedded in the civil works contracts. While sites for the most of the potential infrastructure have been initially identified, they have not been finalized pending feasibility and other technical requirements, including an assessment by the National Environmental Management Authority (NEMA) on environmental and social risks and impacts. Decisions on these sites and works will be finalized during project implementation. For the two sites that have been finalized for construction – the zonal office in Luwero and a new building at the HTTI site in Jinja, the ESIAs have been prepared, consulted upon, and disclosed both in country and in Infoshop on March 12, 2013.

94. **An Environmental and Social Management Framework (ESMF) has been prepared, consulted upon, and disclosed both in country and in Infoshop on March 12, 2013 to guide identification and management of potential environmental and social impacts**. Consultations with project stakeholders were carried out as a part of ESMF implementation. The ESMF will govern screening of environmental impacts and their management at the remaining construction sites.

95. **The project triggers OP 4.09, Pest Management**. Although the project is not envisioned to entail or directly support any pest or pesticide management, MGF support to improved efficiency and productivity of private enterprises in the agricultural sector may indirectly encourage adoption of more sophisticated production techniques that may include the use of pesticides; similarly it may indirectly lead to increased production that may correspondingly increase the levels of pesticide use. To address these issues, the ESMF includes an Integrated Pest Management approach for addressing possible issues that may arise during project implementation. Handling of issues related to potential use of pesticides and promoting IPM is included in the ESMF, and reflected the Matching Grants Manual governing the MGF (included in the POM).

[65] Namely Districts of Luwero, Mpigi, Mityana, Soroti, Kabale, Rukungiri, Tororo, Mukono, and Moroto.

96. **The project has also triggered OP 4.11, Physical Cultural Resources** because the project civil works may lead to accidental finds or physical cultural resources. The ESMF and preparation of site specific EIAs will include assessment of potential impacts on physical cultural resources, and guidelines for handling chance finds.

97. **The project triggered OP 4.12, Involuntary Resettlement**, since acquisition of land for construction of offices and hotel school, or associated displacement of livelihoods is possible. Correspondingly, a Resettlement Policy Framework (RPF) has been prepared and disclosed both incountry and at the Infoshop on March 12, 2013. The RPF specifies the process for preparing, reviewing, approving and implementing subsequent RAPs for the project before the relevant civil works are initiated. The RPF has been consulted upon and disclosed. The projects in Luwero and Jinja do not involve land acquisition leading to involuntary resettlement and/or restrictions of access to resources and livelihoods; thus, no RAPs have been prepared. During implementation of project activities, should resettlement issued be identified, appropriate RAPs will be developed to address specific impacts, proposed mitigation measures, and compensation issues. The Project Implementation Component includes the GoU contribution of US$2.5 million, and part of this amount will be used to fund the RAP implementation.

98. **The arrangements for monitoring the resettlement and compensation activities will fit the overall monitoring programme of the CEDP**, which will fall under the overall responsibility of the different executing agencies (e.g., MLHUD, HTTI) at the various levels. Periodic evaluations will be made in order to determine whether the PAPs have been paid in full and before implementation of the sub project activities; and whether the PAPs enjoy the same or higher standard of living than before. A number of objectively verifiable indicators shall be used to monitor the impacts of the compensation and resettlement activities. These indicators will be targeted at quantitatively measuring the physical and socio-economic status of the PAPs, to determine and guide improvement in their social wellbeing. Therefore, monitoring indicators to be used for the RAP will have to be developed to respond to specific site conditions. In addition, an independent audit will take place at the completion of the RAP.

99. **The land administration component will support the development of a gender promotion strategy in the first year of the project in order to promote gender equity in land registration**. Similarly, civil society engagement and communication strategies will be developed during the first year of the project aimed at enhancing public participation and transparency in the whole exercise of documenting land rights. The project will also support activities geared to reducing land disputes. A social diagnostics study is being undertaken ahead of project implementation to identify any social issues to address during project implementation. In addition, social, environmental and economic impact studies, with baseline and follow-up surveys, will be undertaken during implementation to assess issues and generate remedial measures.

100. **As per the ESMF there are several agencies that will play a key role in ensuring that mechanisms and recommendations provided in the ESMF are implemented effectively**. These include at the national level, the MLHUD, the MoTWA, HTTI, UWA, PSFU, and the NEMA. At the local level, District and Municipal government offices (through the D/MEOS) will also have roles in implementing provisions of the ESMF. The ESMF outlines a number of

indicators as part of the ESMF implementation which will be included in the overall project monitoring. In addition, an Annual Audit on ESMF Implementation will be prepared by the PCU and delivered to NEMA and the World Bank.

101. **Successful implementation of the ESMF will rely on**: (a) establishing the PCU's capability to ensure that the activities are screened and appraised appropriately; and (b) regular monitoring and reporting to track performance of the activities. An Environmental Specialist will be appointed to the PCU to ensure that the provisions of the ESMF are implemented accordingly. The main role of the Environmental Specialist will be to provide technical advice on environmental and social management and mitigation planning and ensure that the ESMF is fully implemented. The Environmental Specialist will report directly to the PCU responsible for project management activities of the CEDP. In addition, an Environmental Consultant will be procured under the MGF to support the Unit in screening applications using the Screening Checklist and in determining the level of environmental and social assessment needed. The Environmental Consultant will monitor the performance of the applicants and on an annual basis undertake an audit of at least 20 percent of total applications approved to measure the effectiveness of E&S provisions. The Consultant will report to the MGF Unit Manager. The project will provide capacity building to the environmental personnel Necessary.

Annex 4: Operational Risk Assessment Framework (ORAF)

UGANDA: Competitiveness and Enterprise Development Project (CEDP) (P130471)

1. Project Stakeholder Risks	Rating	Substantial		
Description: There is a risk that vested interests could resist reforms in the business environment (e.g., starting a business, licensing) that will reduce the scope for receiving informal registration payments. The main risk associated with land administration reform is the reluctance of people with a vested interest to adopt change.	**Risk Management**: The proposed project builds upon the successful dialog with the GoU and significant achievements in prior years as part of the PSCP II. Both the land administration and business registration/licensing effort of the government was supported through funds provided by the PSCP II and further improvements will be supported under the current project. During the implementation of the previous operation, the GoU demonstrated commitment to these reforms. A lot of progress has already been achieved, which will facilitate the implementation of the current project. For instance, a memo on business licensing, which is currently before the Cabinet, contains recommendations for simplification and elimination of unnecessary licenses and once it is approved, the recommendations will be implemented by the line ministries. Automation of certain processes (e.g., implementation of online business registration and online licensing) will increase transparency and eliminate opportunities to receive informal payments. In the land administration reform, strategic communication, cultivating trust and adopting policies geared toward engendering government commitment to protecting land rights will be critical to ensure that the land reform component is successfully implemented. Reforms will further be supported by emphasizing to the government how the reform will improve the country's Doing Business rating.			
	Resp: Client and Bank	Stage: Preparation and Implementation	Due Date : Throughout preparation and implementation	Status: In progress
2. Implementing Agency Risks (including fiduciary)				
2.1 Capacity	Rating:	Substantial		
Description: The weak institutional capacity of some of the implementing agencies could affect the pace and quality of project preparation and implementation.	**Risk Management**: The project will also fund skills enhancement activities, including institutional strengthening. Assessments on institutions' safeguards, procurement, and financing aspects have been carried out to identify skills enhancement needs and existing gaps. The list of positions for which additional staff will be recruited has been prepared, and prior to effectiveness a number of staff who are critical for project implementation will be recruited. During the implementation, additional staff will be recruited to fill in gaps in less urgent areas. An action plan has been developed to ensure that substantial training to the implementing agencies is provided in a timely manner to enhance their ability to properly implement the project's activities. In addition, the project scope was streamlined and the activities proposed limited to ensure they will be aligned with available institutional capacity.			
	Resp: Client and Bank	Stage: Preparation and Implementation	Due Date : Throughout preparation and implementation	Status: In progress
2.2 Governance	Rating:	Substantial		
Description: Multiplicity of sectors and actors could give rise to lack of clear leadership and insufficient coordination, affecting project preparation, implementation, and outcome. Further, there is a risk that the implementing agencies' bureaucratic procedures will delay timely decisions for the project's activities	**Risk Management**: To overcome the problem of a lack of clear leadership, overall responsibility for implementation will rest with the MoFPED, assisted by the participating line ministries. A Project Steering Committee chaired by the Permanet Secretary of the MoFPED will be set up to guide CEDP implementation.			
	Resp: Client	Stage: Preparation and Implementation	Due Date : Throughout preparation and implementation	Status: In progress
3. Project Risks				
3.1 Design	Rating:	Substantial		
Description: A project with many components and activities (e.g., land administration, business registration/business licensing, tourism and matching grants) may be difficult to implement.	**Risk Management**: For detailed project design, a comprehensive needs assessment has been done through discussions with relevant stakeholders and beneficiaries during the preparation stage. The project team has incorporated lessons learned from other private sector development projects in the region and built on the experience of the implementing agencies. It has also incorporated lessons learned from other WB projects in the areas of land administration, business registration and licensing, tourism development, and matching grants.			

	Resp: Client and Bank	Stage: Preparation and Implementation	Due Date: 4/1/2013	Status: In progress
3.2 Social & Environmental	Rating:	Moderate		
Description: Lack of adequate capacity and political will to implement social and environmental risk mitigation measures identified through the environmental and social management framework developed for the project could lead to a high level of residual impacts from implementing project activities, or undermine project results if the necessary safeguard measures are not fully implemented.	**Risk Management**: An environmental and social management framework and resettlement policy framework have been prepared, consulted upon, and disclosed. They will guide project implementation and preparation of specific environmental and social assessments. In addition two ESIAs have been prepared, consulted upon, and disclosed for infrastructure works. Additional ESIAs/ESMPs and/or RAPs will be prepared during project implementation. Training programs will target capacity issues related to implementation of the social and environmental framework. The nature of proposed investments is not likely to pose significant social and environmental risks. The scope of third-party monitoring will include the effectiveness of the project's environmental and social risk.			
	Resp: Client and Bank	Stage: Preparation and Implementation	Due Date : Throughout preparation and implementation	Status: In progress
3.3 Program & Donor	Rating:	Low		
Description: Inadequate coordination and alignment across numerous private sector-related projects and programs and supporting agencies could lead to duplication of effort and/or reduce effectiveness of interventions.	**Risk Management**: The project has been designed in alignment with the five-year NDP and with the full participation of all stakeholders. The Bank is currently in dialogue with development partners who would like to cooperate and coordinate. The team has specifically consulted regarding the new Bank agriculture cluster development project, as well as the EU small and medium agribusiness development fund, and ensured that there was no duplication of efforts in the area of matching grants. The Bank will continue consulting with other development partners to ensure adequate coordination.			
	Resp: Bank	Stage: Preparation and Implementation	Due Date : Throughout preparation and implementation	Status: In progress
3.4 Delivery Monitoring & Sustainability	Rating:	Substantial		
Description: Poor quality of construction, O&M arrangements, and weak institutional capacity issues could negatively impact project outcomes. URSB currently does not have the right to retain its revenues and is dependent on budget allocations for its needs. This represents a significant risk for the sustainability of the one-stop-shop, considering that the URSB will not be able to invest in maintenance of the system, nor in further development and upgrade of the system, nor in retaining good staff to service the system.	**Risk Management**: A third-party quality management consultancy will provide implementation oversight on construction quality. An improved asset management framework will be supported as part of the project. Amendments to relevant legislation will need to be made to enable the URSB to retain its revenue (or part of its revenue) to enable sustainability of the one-stop-shop system.			
	Resp: Client and Bank	Stage: Preparation and Implementation	Due Date : Throughout preparation and implementation	Status: In progress
3.5 Other: Monitoring and Evaluation	Rating:	Moderate		
Description: Monitoring and evaluation (M&E) risks: There may be a risk to the project if there are no credible baseline data on several key project indicators. There may also be a risk to the project if no adequate M&E system is developed and/or if the implementing agencies do not have enough capacity to collect the data.	**Risk Management**: A baseline has been developed for all PDO-level indicators to allow regular monitoring. The baseline has also been developed for all intermediate results indicators, with the exception of intermediate indicator #5, as the survey of customer satisfaction has not been carried out yet. The survey will be carried out in the first year to provide the baseline. During implementation, the project will strengthen ongoing M&E and support capacity development efforts in M&E teams in the PCU. A robust M&E system will be developed at the onset of the project and training provided to implementing agency staff to use the system effectively.			
	Resp: Client and Bank	Stage: Stage: Preparation and Implementation	Due Date : Throughout preparation and implementation	Status: Ongoing
4. Overall Risk Following Review: Substantial				

Annex 5: Implementation Support Plan

UGANDA: Competitiveness and Enterprise Development Project (CEDP) (P130471)

Strategy and Approach for Implementation Support (IS)

1. **The strategy for IS describes how the World Bank and other development partners will support the implementation of the risk mitigation measures and provide the technical advice necessary to facilitate achieving the PDO.** It was developed based on the nature of the project and its risk profile. Formal supervision and field visits will be carried out semi-annually and focus on:

- **Strong coordination between the World Bank, the implementing agencies, and partners.** The World Bank task team will bring a comprehensive set of instruments and expertise to advise on project activities. It will work closely with the implementing agencies and the TST to ensure project success. The project will take a flexible approach to ensure that it meets client needs as circumstances evolve.

- **Financial management (FM).** As part of its project supervision missions, the World Bank will conduct risk-based FM supervision, initially after every six months and later at appropriate intervals based on assessed risk. A World Bank FM specialist will interact with the client on an ongoing basis. Areas for particular review will include the financing of ICT-related activities as a more risky area as well as checking that payments are done strictly in accordance with contract provisions. During project implementation, the World Bank will supervise the project's FM arrangements in the following ways: (i) review the project's quarterly interim financial reports, the annual audited financial statements, the auditor's report, and remedial actions recommended in the auditor's management letters; and (ii) during the World Bank's onsite supervision missions, review project accounting and internal control systems, budgeting and financial planning arrangements, and disbursement management and financial flows, as applicable.

- **Procurement.** As part of its project supervision missions, the World Bank will undertake procurement supervision, including post reviews. A dedicated procurement specialist will work with clients to ensure they understand the Bank's procurement guidelines from the start. Implementation support missions will be geared towards: (i) providing training to relevant staff of implementing agencies; (ii) reviewing procurement documents; (iii) providing detailed guidance on the Bank's Procurement Guidelines; and (iv) monitoring procurement progress against the detailed Procurement Plan.

- **M&E.** The World Bank will review the updated result framework submitted quarterly by the PMU during the supervision mission or as a desk review. The team leader will discuss the progress and deviations with the PSC and PTC to identify any areas where additional help from the World Bank is needed. The team leader will facilitate the use of the M&E data to promote awareness of the project results.