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Report No: PAD3797

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROGRAM PAPER

ON A

PROPOSED ADDITIONAL CREDIT
IN THE AMOUNT OF SDR174.5 MILLION
(US\$240.0 MILLION EQUIVALENT)

AND PROPOSED ADDITIONAL GRANT
IN THE AMOUNT OF SDR43.7 MILLION
(US\$60.0 MILLION EQUIVALENT)
OF WHICH SDR36.4 MILLION (US\$50 MILLION EQUIVALENT) FROM THE IDA19 WINDOW FOR
HOST COMMUNITIES AND REFUGEES (WHR)

FOR THE REPUBLIC OF UGANDA

FOR THE

INTERGOVERNMENTAL FISCAL TRANSFERS PROGRAM

August 21, 2020

Governance Global Practice
Africa Eastern and Southern Region

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CURRENCY EQUIVALENTS

Exchange Rate Effective June 30, 2020

Currency Unit = Uganda Shillings
(UGX)

UGX 3728 = US\$1

US\$ 1 = SDR 0.7269027

FISCAL YEAR

July 1 - June 30

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ABBREVIATIONS AND ACRONYMS

AF	Additional Financing
CBA	Cost Benefit Analysis
CGAP	Consultative Group to Assist the Poor
COVID-19	Coronavirus Disease of 2019
CPF	Country Partnership Framework
CRRF	Comprehensive Refugee Response Framework
DDEG	Discretionary Development Equalization Grant
DfID	Department for International Development
DHMT	District Health Management Team
DLI	Disbursement Linked Indicator
DLR	Disbursement Linked Result
DRDIP	Development Response to Displacement Impacts Project
EMIS	Education Management Information Systems
ESSA	Environmental and Social Systems Assessment
FY	Fiscal Year
GBV	Gender-Based Violence
GDP	Gross Domestic Product
GoU	Government of Uganda
HC	Health Center
HUMC	Health Unit Management Committee
IAG	Internal Auditor General
IDA	International Development Association
IFMIS	Integrated Financial Management Information System
IFTRP	Intergovernmental Fiscal Transfers Reforms Program
LG	Local Government
LGFC	Local Government Finance Commission
LLG	Lower Local Government
LGPA	Local Government Performance Assessment
MAAIF	Ministry of Agriculture, Animal Industry and Fisheries
MDA	Ministries, Departments and Agencies
MGLSD	Ministry of Gender, Labour and Social Development
MoES	Ministry of Education and Sports
MoFPED	Ministry of Finance, Planning, and Economic Development
MoH	Ministry of Health
MoLG	Ministry of Local Government
MoPS	Ministry of Public Service
MIS	Management Information System
MTP	Medium Term Plan
MTEF	Medium Term Expenditure Framework
MWE	Ministry of Water and Environment
MWT	Ministry of Works and Transport
M&E	Monitoring and Evaluation



NAPA	National Adaptation Program of Action
ND-GAIN	Notre Dame Global Adaptation Initiative
NEMA	National Environment Management Authority
NGO	Non Governmental Organization
NPV	Net Present Value
NWR	Non-Wage Recurrent
ODI	Overseas Development Institute
OPAMS	Online Performance Assessment Management System
OPM	Office of Prime Minister
OTIMS	Online Transfer Information Management System
PBA	Performance-Based Allocation
PDO	Project Development Objective
PEF	Program Expenditure Framework
PforR	Program for Results
PIP	Performance Improvement Plan
PNFP	Private Not-for-Profit
POM	Program Operations Manual
PP	Program Paper
PPDA	Public Procurement and Disposal of Public Assets Authority
RA	Results Area
RBF	Results Based Financing
REAP	Resource Enhancement and Accountability Program
RCU	Reform Coordination Unit
RGC	Rural Growth Centre
PS	Permanent Secretary
PS/ST	Permanent Secretary and Secretary to the Treasury
SBD	Standard Bidding Document
SCD	Systematic Country Diagnostic
SESL	Strengthening Education Systems for Improved Learning
SMC	School Management Committee
TA	Technical Assistance
TELA	Teacher Effectiveness and Learner Achievement
UgIFT	Uganda Intergovernmental Fiscal Transfers
UGX	Ugandan Shilling
UNDP	United Nations Development Program
UNHCR	United Nations High Commissioner for Refugees
URMCHIP	Uganda Reproductive Maternal and Child Health Services Improvement Project
USMID	Uganda Support to Municipal Infrastructure Development Program
VAC	Violence Against Children
VfM	Value for Money
WfAP	Water for Agricultural Production Framework
WDR	World Development Report
WHR	Window for Host Communities and Refugees



BASIC INFORMATION – PARENT (Uganda Intergovernmental Fiscal Transfers Program - P160250)

Country Uganda	Product Line IBRD/IDA	Team Leader(s) Timothy Stephen Williamson	
Project ID P160250	Financing Instrument Program-for-Results Financing	Does this operation have an IPF component? No	Practice Area (Lead) Governance

Implementing Agency: Ministry of Finance, Planning and Economic Development

Is this a regionally tagged project? No	Bank/IFC Collaboration No	
Original Approval Date 27-Jun-2017	Effectiveness Date 29-May-2019	Closing Date 31-Dec-2023

Program Development Objective(s)

To improve the adequacy and equity of fiscal transfers and fiscal management of resources by Local Governments for health and education services.

Ratings (from Parent ISR)

	Latest ISR
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	15-Jan-2020
Progress towards achievement of PDO	S
Overall Implementation Progress (IP)	S
Overall Risk	S
Technical	S
Fiduciary Systems	MS
E&S Systems	U
Disbursement Linked Indicators (DLI)	S
Monitoring and Evaluation	S

BASIC INFORMATION – ADDITIONAL FINANCING (UGANDA INTERGOVERNMENTAL FISCAL TRANSFERS - ADDITIONAL FINANCING - P172868)

Project ID	Project Name	Additional Financing Type	Urgent Need or Capacity Constraints
P172868	UGANDA INTERGOVERNMENTAL FISCAL TRANSFERS - ADDITIONAL FINANCING	Restructuring	
Financing instrument	Product line	Approval Date	Will there be additional financing for the IPF component?
Program-for-Results Financing	IBRD/IDA	14-Sep-2020	No
Projected Date of Full Disbursement	Bank/IFC Collaboration		
05-Sep-2023	No		

Is this a regionally tagged project?

No

Disbursement Summary (from Parent ISR)



Source of Funds	Net Commitments	Total Disbursed	Remaining Balance	Disbursed
IBRD				%
IDA	200.00	106.18	94.40	53 %
Grants				%

PROGRAM FINANCING DATA – ADDITIONAL FINANCING (UGANDA INTERGOVERNMENTAL FISCAL TRANSFERS - ADDITIONAL FINANCING - P172868)

FINANCING DATA (US\$, Millions)

SUMMARY (Total Financing)

	Current Financing	Proposed Additional Financing	Total Proposed Financing
Government program Cost	793.00	592.36	1385.36
Total Operation Cost	793.00	492.10	1285.10
Total Program Cost	793.00	492.10	1285.10
Total Financing	793.00	492.10	1285.10
Financing Gap	0	0	0

DETAILS – Additional Financing

Counterpart Funding	192.10
Borrower/Recipient	192.10
International Development Association (IDA)	300.00
IDA Credit	240.00
IDA Grant	60.00



IDA Resources (in US\$, Millions)

	Credit Amount	Grant Amount	Total Amount
Uganda	240.00	60.00	300.00
National PBA	240.00	10.00	250.00
Refugee	0.00	50.00	50.00
Total	240.00	60.00	300.00

COMPLIANCE

Policy

Has the parent Program been under implementation for at least 12 months?

Yes

Have the DO and IP ratings for the parent Program been rated moderately satisfactory or better for at least the last 12 months?

Yes

Does the program depart from the CPF in content or in other significant respects?

No

Does the Program require any waivers from Bank policies?

No

INSTITUTIONAL DATA

Practice Area (Lead)

Governance

Contributing Practice Areas

Education

Health, Nutrition & Population

Macroeconomics, Trade and Investment

Water



Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

TASK TEAM

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Name	Title	Organization	Location



Uganda

INTERGOVERNMENTAL FISCAL TRANSFERS PROGRAM - ADDITIONAL FINANCING

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I. BACKGROUND AND SUMMARY

1. **This Program Paper (PP) proposes to provide additional resources totaling US\$300 million to the Republic of Uganda for the Intergovernmental Fiscal Transfers (UgIFT) Program for Results (PforR) (P172868).** This includes a credit of US\$240 million and a grant of US\$60 million, of which US\$50 million will be from the International Development Association (IDA) 19 Window for Host Communities and Refugees (WHR). The credit for the original Program (P160250), which amounted to US\$200 million, was approved by the World Bank Board of Executive Directors on June 27, 2017 and declared effective on May 29, 2019. The original Program has a closing date of December 31, 2023 and has disbursed 53 percent as of July 2020. The Government of Uganda (GoU) has been implementing the Program since Board approval, which has enabled disbursement in line with met Disbursement Linked Indicators (DLIs) soon after the Program's effectiveness, which was subject to significant delay. The performance of the original Program was rated Moderately Satisfactory in June 2019 and was upgraded to Satisfactory in January 2020.

2. **The original Program has achieved several significant results so far in support of the GoU's Intergovernmental Fiscal Transfers Reforms Program (IFTRP).** The most important achievement is the reversal of the long-term erosion in the value of fiscal transfers to local governments (LGs) for non-wage recurrent and capital spending in education and health. After a continuous decline over the past decade in real per capita terms, the level or adequacy of funding has increased significantly. This has translated into significantly more funds available for both the operations of schools and health centers and construction. In addition, the equity or distribution of funds across districts has been enhanced by disciplined application of formulae, which ensured more objective distribution of funds based on needs. Finally, the performance of local governments in the management of resources for service delivery has improved for two successive years, with UgIFT shining a light on the long-neglected capacity of LGs via three annual assessments and incentivizing performance through publicly ranking LGs, performance improvement plans, and financial incentives for LGs.

3. **The proposed Additional Financing (AF) to the parent UgIFT Program will continue to support the GoU's IFTRP,** continuing to enhance the adequacy and equity of fiscal transfers to Local Governments (LGs) and to improve fiscal management of resources for service delivery by LGs in health and education.

4. **The AF will broaden the scope** to include (i) LG water and environment services and (ii) micro irrigation in addition to existing sectoral scope of education and health, and (iii) to integrate services in refugee settlements into the LG system.

5. **The AF will also deepen the focus on achieving service delivery results within and across sectors** by supporting (i) improving service delivery performance at the facility and subcounty levels with the mainstreaming of results based financing in health, the introduction of a school performance improvement framework and revitalized inspection function, and the introduction of subcounty performance assessments in water and irrigation; (ii) enabling and incentivizing LGs to meet agreed minimum requirements for staffing schools and health facilities and critical positions in higher and lower LGs, removing a key constraint to delivery; (iii) strengthening the core oversight functions of central government in support of local service delivery; and (iv) building improved processes, systems and capacity for LG service delivery.

6. **The enhancements of adequacy and equity of resources have been linked to the costs of service delivery in a revised Medium-Term Plan for financing LG services,** which forms part of the IFTRP. This will set out fiscally sustainable allocations for LG wages, operational input and development investments, based on a robust costing exercise of LG services. In addition, the long-term sustainability of the IFTRP beyond UgIFT and the associated gains is expected to be secure as a result of strong GoU commitment and the institutionalization of reforms, combined with a gradual reduction in the share of World Bank resources supporting Program expenditures.



7. **UgIFT is a crucial intervention for protecting basic services during and after the COVID-19 crisis.** UgIFT supports the functioning of the primary healthcare system nationwide, which will be at the forefront of combatting Coronavirus Disease 2020 (COVID-19) and public health promotion at the local level. These systems are likely to come under strain. Education establishments and water, sanitation and hygiene and irrigation interventions will also be important in the COVID-19 response and recovery. Investments in irrigation will also strengthen resilience following the 2020 locust invasion. Importantly, UgIFT will also provide fiscal space to help ensure health and other basic services can be maintained following the fiscal shock that is accompanying the response. The COVID-19 pandemic increases the importance of UgIFT, which will strengthen the robustness of service delivery systems over the medium term at the local level.
8. **The timeframe of the Program will be extended so it closes by the end of June 2024.** This will involve extending the program results by a single financial year from the year ending June 2022 to the year ending June 2023 and subsequently allowing for the verification of those results.
9. **Alongside the processing of the AF, a restructuring of the original program covering the original sectors of health and education will take place and will be aligned to the approach set out in this PP.** This will enable the GoU to ensure implementation of the UgIFT proceeds smoothly and provide fiscal space to increase budget allocations in 2019/20 prior to the approval of the AF. As the restructuring has yet to take place, this PP sets out the broadened and deepened approach comprehensively.

II. RATIONALE FOR ADDITIONAL FINANCING

A. Sectoral Context

10. **In Uganda, public spending on social services, such as education and health, is low, even in comparison to other low-income countries.** The share of public expenditure on education as a percent of Gross Domestic Product (GDP) fell from 3.1 percent in 2011 to 2.3 percent in 2018, compared to an average of 4 percent in Sub-Saharan Africa. Government health expenditure accounted for 1.2 percent of GDP in 2018/19, among the lowest in the region. This translates into US\$10 per capita. In 2016, government expenditure was estimated as 15.7 percent of total health expenditure in Uganda (National Health Accounts 2016). Declining spending in education has resulted in worsening education outcomes, and while health outcomes have improved in Uganda, they remain far from international standards.
11. **The current framework for LG education and health service delivery was introduced in the mid-1990s.** Participatory local democracy was a key political priority of the National Resistance Movement (NRM) Government in 1986. The 1995 Constitution and 1997 Local Government Act provided a framework for a highly politically, administratively and fiscally decentralized system and stipulated the LGs' responsibility to deliver basic health and education. District and Municipal LGs were, inter alia, responsible for delivering basic healthcare services, primary and secondary education, skills development, rural water and sanitation and productive services, such as irrigation. From the outset, most services were financed via earmarked conditional grants rather than unconditional grants, and the value of these transfers increased rapidly in the late 1990s and early 2000s underpinned by debt relief and development partner budget support.
12. **In the mid-2000s, transfers began to decline in real per capita terms, because of changing government priorities that shifted toward infrastructure spending.** Transfers to LGs were kept constant in nominal terms, and the combination of rapid population growth and inflation gradually eroded their value. Allocations in education were further compressed with the introduction of Universal Secondary Education in 2006. From 2010 wage transfers for teachers and health workers were progressively enhanced, keeping pace with population growth and inflation, although other allocations continued to be eroded, such as development grants for infrastructure and non-wage recurrent spending. This has cumulatively resulted in a substantial decline in the real per capita value of operational funding for schools and health centers. By 2015/16, non-wage recurrent transfers declined by 51 percent per capita in primary education and 65 percent in health from their peaks in the 2000s. By 2016/17



the Primary Health Care (PHC) Development grant had fallen to as low as UGX 11.4 billion. Allocations to Rural Water and Sanitation have declined for longer, and by 2018/19 had fallen by 80 percent since their peak in 2000. Meanwhile some LG mandates have remained unfunded. This includes micro irrigation, notwithstanding national policies which increasingly stress the impact of climate change in terms of higher rainfall variability which puts at risk the traditional rainfed agricultural model, with implications for the poorest segment of the population as well as for the country food security.

13. **In addition to the decline in real per capita terms, the transfer system became increasingly fragmented and ad-hoc based, which led to large disparities of transfers across LGs over time.** In other words, the transfer system in the mid-2000s deteriorated not only the level of transfers (adequacy), but also the horizontal equity of transfers to LGs (equity), and its coherence with 46 conditional grants by 2015. As a result, by 2015 public spending per capita on health and per child in education were over 10 times higher in some districts compared to other districts (MoFPED). These horizontal disparities in the size of grant allocations contributed to disparities in the quality of health and education service delivery. For example, the percentage of children delivered in public health facilities varies from 4 to 94 percent, and the number of students per primary school teacher varies from 32 to 100 across districts.

14. **The inadequacy and inequity of transfers to LGs impacted service delivery and was further amplified by institutional deficiencies.** About one third of positions in LG administrations are vacant, and the share of vacancies varies significantly across LGs. On the administrative and political side, local councils are elected and exercise a certain degree of authority over local civil service staff. However, districts' chief administrative officers are appointed by the central government. Furthermore, the number of LGs has increased significantly over the past decade, with the number of districts and municipalities rising from 45 in 1997 to 133 in 2014 and to over 170 in 2019. This has led to an acceleration in the cost of administering local service delivery and has adversely affected institutional capacity to deliver services.

15. **The refugee inflow in recent years has aggravated the deficiencies in service delivery in twelve refugee hosting districts, several of which are among the poorest and most vulnerable in the country.** Uganda is the largest refugee hosting country in Africa and the third-largest host in the world with 1.41 million (as of February 2020) refugees and is experiencing both protracted and ongoing forced displacement trends. The country saw a dramatic increase in refugee numbers in July 2016 with the inflow of refugees from South Sudan, followed by an additional inflow from the Democratic Republic of Congo (DRC) in early 2018.¹ These new refugee inflows combined with the existing and protracted refugee situation have put enormous pressure on service delivery provided to the local host community and put strains on natural resources and the environment.² They have also exacerbated a range of ongoing environmental impacts and associated challenges.

16. **The World Bank, following consultation with the UN High Commissioner for Refugees (UNHCR), has determined that Uganda's refugee protection framework remains adequate for the purpose of accessing financing from IDA18 Sub-Window for Refugees and Host Communities.** Uganda is recognized globally as having one of the most aligned refugee policies with the Global Compact on Refugees. Not only is Uganda a state party to international or regional instruments protecting refugees, its laws, policies and practices are largely consistent with international refugee law, guaranteeing non-refoulement and adequate protection for refugees and asylum seekers. Uganda has ratified the 1951 Refugee Convention and the 1967 Protocol relating to the Status of Refugees, albeit with seven reservations to the former. The country has also ratified the 1969 OAU Convention Governing the Specific Aspects of Refugee Problems in Africa as well as nine core international and regional human rights instruments relevant for refugee protection. These are domesticated into Uganda's legal system through the 2006 Refugee Act and its 2010 Regulations as well as other laws which accord protection to life and liberty of all persons, such as the Bill of Rights in the 1995 Constitution and the Penal Code Act. The Refugee Act guarantees

¹ The refugee inflow represents a steady inflow.

² See UGANDA – Investing in Protected Areas and Forests for Climate-Smart Development Project (P170466)



refugees' fundamental rights, including the rights to work, enjoy freedom of movement, own property and access social services. The Refugee Regulations stipulate the integration of refugee matters in national development plans and that refugee concerns and related matters are taken into consideration in the initiation and formulation of sustainable development and environmental plans. Uganda's asylum policies and protection framework advance the integration of refugees and fosters an enabling environment for them to live in safety, dignity and in harmony with host communities.

Box 1: Summary of the Impact and the GOU Response to the COVID-19 Pandemic

COVID-19 will impact on real GDP growth which, on a calendar year basis, is projected between 0.4 and 1.7 percent in 2020, compared to 5.6 percent in 2019. Therefore, in real per capita terms growth will turned negative. The main external transmission channels of COVID-19 are through lower exports, tourism, remittances, as well as a sizable deceleration in Foreign Direct Investment inflows and government project financing, creating significant fiscal and external imbalances. This is amplified by a domestic demand contraction due to stringent mobility restrictions and a corresponding fall in incomes. The decline in Uganda's real GDP growth and corresponding loss of jobs could be even larger if the country were to face a renewed acceleration in infections within its communities, leading to a more widespread pandemic, which would require more extended periods of mobility restrictions and/or overwhelm the capacity of the health system.

For poor and vulnerable households in Uganda the impact of COVID-19 is expected to be especially severe, with urban areas expected to be particularly hard hit. Given that many jobs will be lost especially in the informal sector, and livelihoods affected for a protracted period of time, poverty is expected to increase even though real GDP growth is projected to be positive. Microsimulations indicate that the poverty rate could increase between 2.7 and 8.2 percentage points, which translates into an additional 1.07 to 3.15 million poor people relative to the latest official estimate of 8.7 million in FY17.³ The wide range is driven by uncertainties around the length and depth of the economic disruption caused by the pandemic, and the impact of the GOU response. The effects on poverty will be observed in both rural and urban areas, although through different transmission channels. In urban areas, the prohibition of social gatherings, closure of non-essential institutions and ban on public and private transport have significantly reduced the incomes of those engaged in the services, manufacturing and construction sectors. Urban areas are likely to account for about 0.56 to 1.07 million of the aforementioned additional poor, on top of the estimated 0.9 million urban poor in FY17. Rural households will be impacted by an overall drop in aggregate demand, together with a slowdown in trade, which will lower demand for food and agricultural products.

The Government has employed a multi-pronged response to manage the spread of COVID-19 virus and its effects on the economic and social well-being of the population:

- **Imposed mobility restrictions.** Stringent domestic mobility restrictions included banning private and public transport until recently (), closing of non-essential businesses, and prohibiting gatherings of more than ten people.
- **Health response.** The Ministry of Health prepared a National COVID-19 Preparedness Plan (2019- 2020) with technical support from the World Health Organization (WHO). As part of the Plan implementation, the following actions have been undertaken: (i) activated the National Task Force and the District Task Forces and engaged the Presidency and the Office of the Prime Minister (ii) activated the incident management system and the Emergency operational center, (iii) heightened surveillance, active case search, contact tracing, follow up of high risk travelers; (iv) designated three hospitals to manage COVID casied and currently building capacity of all the 15 regional referral hospitals to managed the cases, (v) ramped up the capacity to diagnose cases at the Uganda Virus Research Institute, and (vi) produced and disseminated IEC materials and various guidelines including for mass gatherings and clinical management.
- **Fiscal policy response.** Additional spending, estimated at 0.6 percent of GDP, aims to address the health emergency and crisis mitigation, social protection and private sector liquidity issues in the last quarter of FY20. This includes US\$81 million for medical supplies and equipment, hiring of additional health workers, free food for vulnerable groups, and additional security measures. It also comprises support to the private sector through a proposed loan to the Uganda Development Bank of US\$153 million. Cabinet is also discussing both a doubling of domestic arrears repayments to US\$213 million and tax measures (e.g. tax exemptions/deferrals) estimated at 0.2 percent of GDP, to provide liquidity to the private sector.
- **Monetary policy response.** Bank of Uganda (BoU) reduced the policy rate in April 2020 by 1 percentage point to 8 percent, its lowest level since its inception in 2011, and announced measures to provide liquidity to commercial banks, and grant exceptional permission to restructure loans of corporate and individual customers, including a moratorium on loan repayment for borrowers that have been particularly affected by the pandemic.

The response is supported through contributions from the Government and development partners including the World Bank. The World Bank Group is aligning its portfolio - worth US\$2.8 billion - to assist Government respond effectively in mitigating the social and economic impact of COVID-19 and build resilience for post recovery. The World Bank has provided a total of US\$30.2 million through the CERC under the Uganda Reproductive, Maternal and Child Health Services Improvement Project (URMCHIP, P155186) and the Uganda COVID-19 Response and Emergency Preparedness Project (P174041). Beyond the health sector support, an Emergency Fiscal and Growth Stabilization Development Policy Operation (DPO) (P173906) valued at US\$300 million has also provided emergency budget support to the government to maintain macro-fiscal stability, whilst also supporting businesses and households, particularly the most vulnerable, in managing the impacts of the COVID-19 and locust invasion. The International Monetary Fund has also provided US\$491.5 million emergency assistance for Uganda under the Rapid Credit Facility to meet urgent balance of payments and fiscal needs.

³ See UNICEF and EPRI (2020).



17. **The GoU has committed to a series of reforms, and the World Bank is supporting the implementation of these reforms through a number of projects reducing pressure on social services, infrastructure and natural resources across refugees and host communities.** The GoU's reforms are outlined in the Letter of Government Policy⁴ to bolster the country's protection framework, strengthen service delivery and promote medium-term socioeconomic solutions for refugees and host communities. The GoU has also taken a number of concrete policy and operational steps since the WHR eligibility assessment in 2017. It has established functional Comprehensive Refugee Response Framework (CRRF) coordination mechanisms, with a senior-level CRRF Steering Group consisting of GoU, development and humanitarian partners meeting quarterly (the World Bank is a member). It is supported by a CRRF Secretariat which sits within the OPM. The GoU has taken substantive steps to progress CRRF implementation by strengthening access to integrated social services. Refugee Sector Response Plans have been developed for education, health, water and environment, and drafts are being developed for energy, private sector engagement, and jobs and livelihoods. These Plans provide agreed priorities and activities for development partners to support GoU strengthening of services, employment opportunities and safeguards to build the self-reliance of refugees and host communities.

18. **The GoU is facing a major economic and health crisis arising from the COVID-19 global pandemic.** Despite stringent measures to combat the spread of COVID-19, infections have continued to grow, with 1,560 cases reported in Uganda on 17 August 2020 with 15 deaths. The COVID-19 pandemic comes on the back of the Ebola crisis that impacted the Congo basin region that borders with Uganda and was successfully combated by GoU. To minimize the coronavirus spread, GoU imposed restrictions on travel and closed borders. To curb the spread within Uganda, GoU emphasized better hygiene through hand washing and health safety habits, instituted social distancing measures, prohibited public gatherings, closed schools and non-essential institutions, and banned public and private transport. To improve capacity to manage cases, the Ministry of Health developed a National COVID-19 Preparedness Plan, which is being updated in light of the increasing number of infections and likelihood that the impact of the pandemic will extend well beyond June 2020. Local government services are at the heart of this response. The COVID-19 related domestic mobility restrictions and the spillover from the global recession in 2020 will impede economic activity and create macroeconomic imbalances. Poverty is expected to increase as a result of the COVID-19 outbreak. This will be further exacerbated by the effects of the locust invasion.

B. Intergovernmental Fiscal Transfer Reform Program (IFTRP)

19. **The Intergovernmental Fiscal Transfer Reform Program (IFTRP) has been developed by GoU to address the above described challenges in the functioning of the national government's financing of LG service delivery.** Specifically, the IFTRP has five objectives, namely: (i) increasing discretion over allocation decisions to enable LGs to deliver services in line with local needs while ensuring that national policies are implemented; (ii) restoring adequacy and equity in allocation of funds for service delivery; (iii) shifting the focus away from fragmented input-based conditions toward accountability for budgetary allocation decisions, expenditures, and results; (iv) using the transfer system to lever institutional and service delivery performance; and (v) allowing new national policies to be funded via the transfer system, whilst avoiding future fragmentation of transfers and reduction in discretion.

20. **The IFTRP covers the reform of all fiscal transfers to LGs, both sector conditional grants and discretionary grants.** The sector conditional grants provide funding to LGs for the bulk of local administrative costs and service delivery in six sectors (agricultural production and marketing, works and transport, education, health, water and environment and social development). There are up to three conditional grants per sector. The IFTRP also covers discretionary grants both unconditional grants and discretionary development equalization grants. Under the umbrella of the IFTRP, the original UgIFT Program has focused on sector conditional grants in health

⁴ Provided by the Minister of Finance, Planning and Economic Development on 30 August 2017 as part of GoU's request for IDA18 WHR support.



and education sector expenditures on conditional non-wage recurrent and development transfers, and fiscal management of these two sectors.

21. **Whilst the IFTRP addresses some of the binding constraints to service delivery, GoU has realized that more deliberate intervention is required to ensure that more adequate and equitable financing delivers improvements to service delivery.** GoU is therefore preparing an addendum to the original IFTRP to address the challenges to service delivery across sectors and is updating the associated Medium-Term Plan (MTP) for financing local service delivery based on the sector costing exercise planned in the original IFTRP. This includes a new area focusing on central government oversight of local service delivery and a greater focus on service delivery performance.

C. Program Implementation Progress

22. **Under the original parent UgiFT Program, the World Bank provides US\$200 million and the GoU US\$593 million to support and enable the implementation of the IFTRP in the health and education sectors, using government systems.** The World Bank resources notionally support increased GoU development grant allocations for service delivery infrastructure, whilst GoU funding notionally support increased operational grants for health and education facilities within a combined expenditure framework.

23. **The Program Development Objective (PDO) for the original Program is “to improve the adequacy and equity of fiscal transfers and improve management of fiscal resources by Local Governments (LGs) for education and health services.”** The Program has focused on addressing three challenges in adequacy, equity, and better financial management, and was expected to achieve the following:

- a. **To enhance the adequacy, or general level of financing,** for education and health services by providing additional resources to LG conditional grants over four years between FY2018/19 and FY2021/22 based on an agreed MTP for increasing financing for LG service delivery, which includes wage, non-wage recurrent, and development grants.
- b. **To enhance the equity of distribution of LG transfers across districts,** by targeting the least funded LGs using objective and equitable allocation formulae to distribute funds more fairly and predictably to LGs. This is achieved through applying formulae for recurrent and development grants. Recurrent grant formulae were to be phased in over four years using the increases in overall grant allocations, ensuring that no LG’s allocation is reduced, whilst development grant formulae were to be implemented from the outset.
- c. **Strengthening management at LG level of education and health services.** This was to be achieved through a systematic approach in four stages: (i) improving guidelines for LGs and service facilities (i.e. schools and health centers); (ii) conducting an annual LG performance assessment from FY2017/18 in districts and municipalities, and from FY2019/20 at the facility level; (iii) supporting poor performing LGs through the development and implementation of performance improvement plans executed by MoLG; and (iv) providing financial incentives linked to grant allocations, with the size of development grants linked to performance assessments.

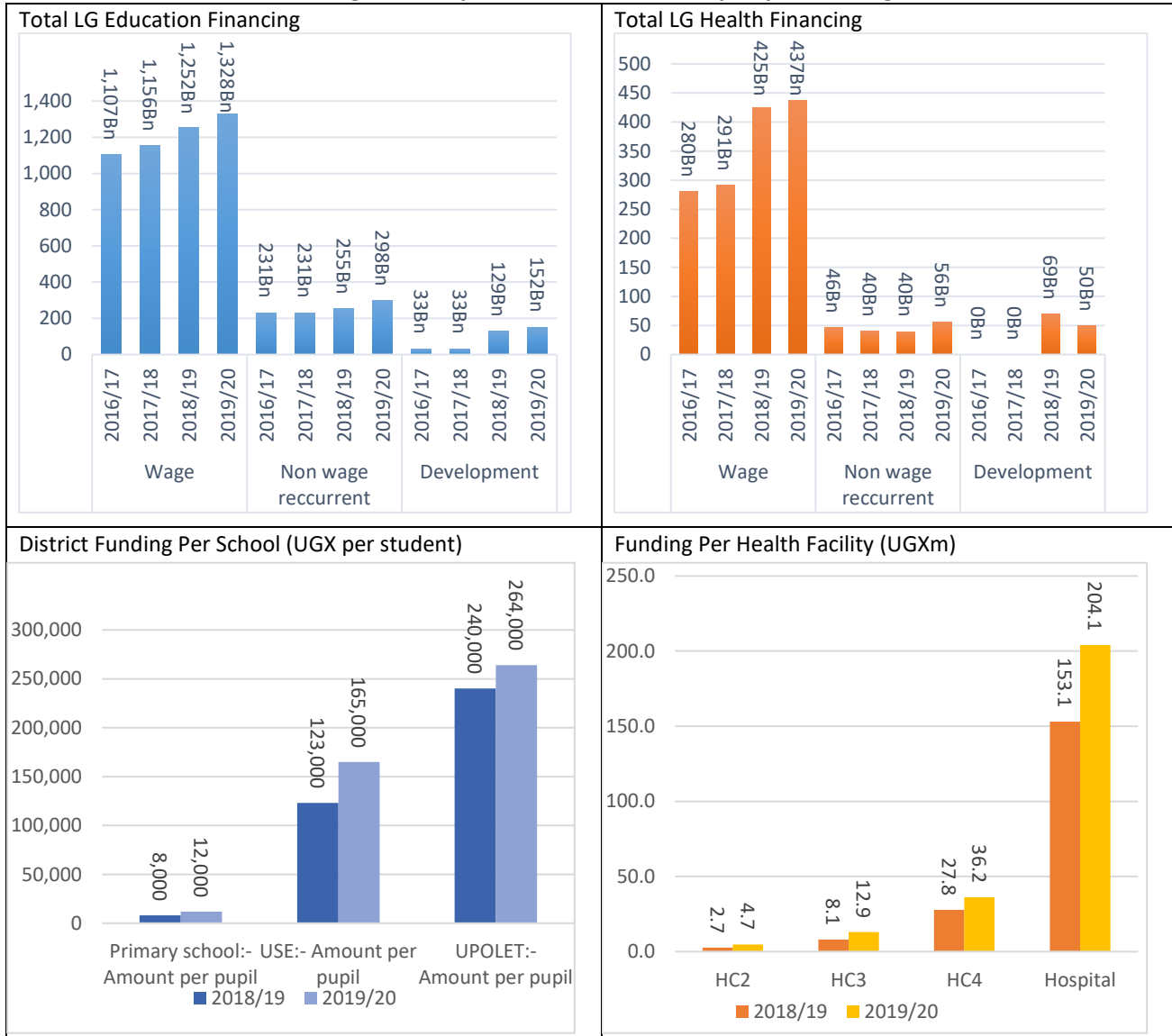
24. **The original Program has demonstrated satisfactory progress despite the delays in the effectiveness.** The implementation of the Program has been advancing broadly on schedule since July 2017 even though the effectiveness was only reached in May 2019. The PDO indicators and intermediate indicators are on track in all but the area of equity.

25. **In terms of adequacy of financing, grants have increased sizably in health and in education since FY2017/18 in line with the PDO Indicators and broadly in line with the MTP.** Wage, non-wage recurrent and development grants have shown a steady increase both in education and health from FY2017/18 to FY2019/20 (Figure 1). Specifically, reversing over a decade of decline, operational non-wage recurrent grants for both



education and health have increased in the double digits. Non-wage recurrent grants for education have increased by 41 percent in the Approved Budget from FY2018/19 to FY2019/20, and similarly non-wage recurrent grants for health have increased by 42 percent. This has had a direct impact on school and health facility level operational funding. More precisely, budgeted and released operational funding for primary schools increased 50 percent, and for health facilities the increase amounted to 43 percent since FY2017/18.

Figure 1: Improvements in the Adequacy of funding



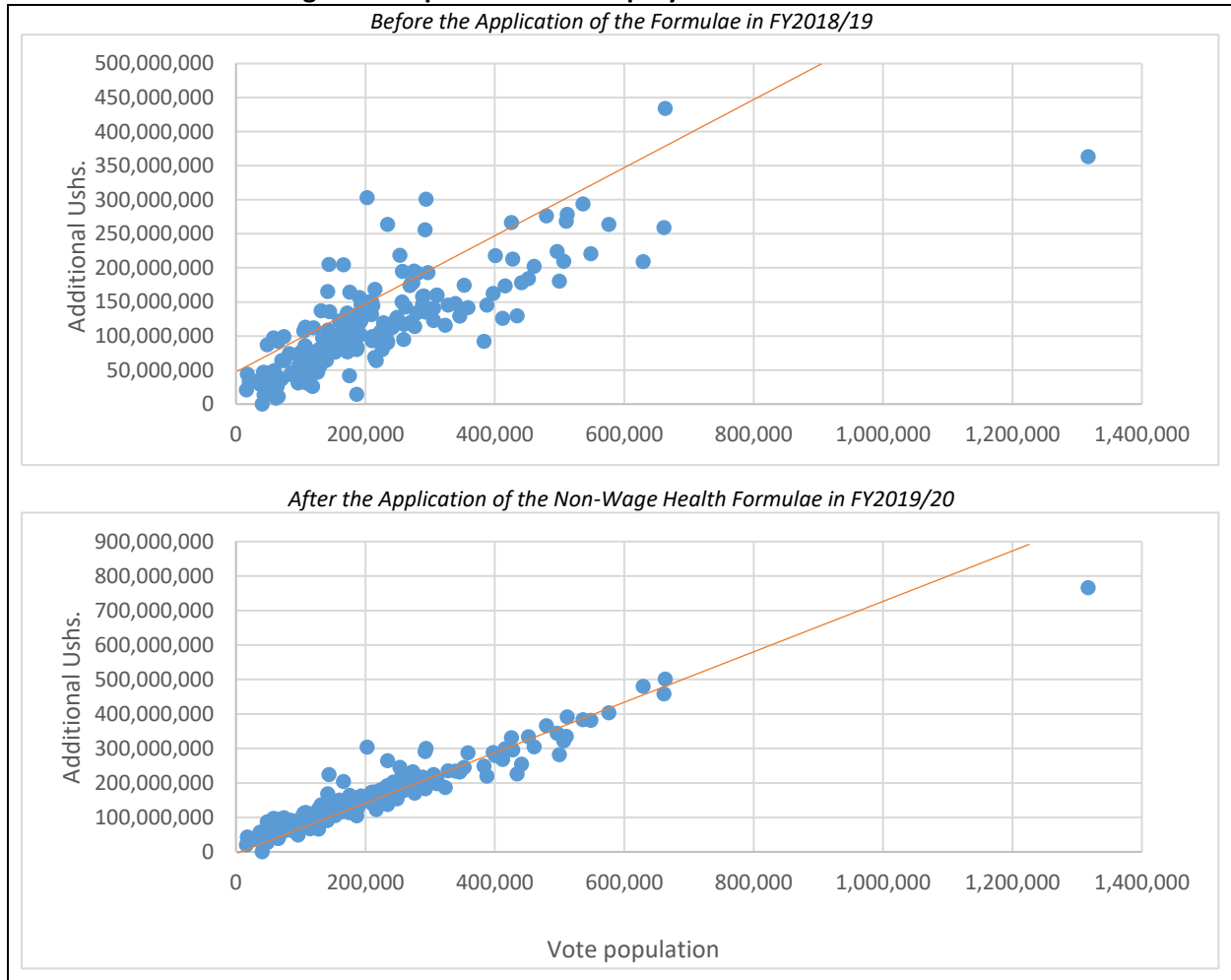
26. Furthermore, an equivalent of US\$200 million was allocated to development grants to upgrade and construct health and education facilities. The GoU decided that the majority of these funds be used to upgrade existing Health Center (HC) IIs to HC IIIs⁵ and build secondary schools in sub-counties where these facilities do not exist in line with policy commitments. The upgrading 331 HC IIs to HC III and 232 new secondary schools for construction were planned, financed from the increased development grants under UgIFT. The first phase of

⁵ Basic health services are delivered through a network of health facilities, which include Health Centre (HC) Level IVs, which are headed by a doctor and HC Level IIIs, which are headed by a nurse. These provide outpatient and basic inpatient services. HC Level IIs, which are small dispensaries, provide outpatient services. In addition, some Districts run general hospitals. The district/municipal health department oversees this network of health facilities and also carries out public health activities.



construction is well underway. By the end of March 2020, contracts for 113 schools had been issued – of these three schools and been completed and roofing had commenced in 34 sites. Contracts for upgrading of 129 health facilities had been issued – of these five had been fully constructed and 21 general wards, 27 four stance latrines and four outpatient departments had been completed. Costs in both sectors were significantly higher than originally projected, which means that the planned number could be constructed within the resources allocated under the parent UgIFT Program. The construction of these facilities has brought focus and sparked action to strengthen contract management and environmental and social safeguards implementation.

Figure 2: Improvements in Equity in Health Recurrent Grants



27. **Whilst achievements in equity, as measured by the original PDO indicators, have been mixed, objectivity, targeting and transparency of grant allocations has been considerably improved.** The IFTRP involved the introduction of objective formulae to enhance the equity and reduce disparities in the distribution of resources, which is supported by DLIs in health and education under UgIFT. PDO indicators measured equity in per capita terms. In the health sector, non-wage recurrent grants are now more equitable in per capita terms due to the sizable reduction in their spread across districts (Figure 2). In education, the use of enrollment rather than overall population and per child of school-going age in the allocation of recurrent grants has limited the impact of the funding on the PDO measures of equity. Furthermore, between Board approval and effectiveness the focus of development grants was agreed to change. A share of development grants has been focused on meeting the GoU policy objectives of one health-center III and one secondary school per sub-county. Whilst a legitimate objective, this was not part of the original design. Consequently, only a minority share of development grant allocations have used formulae which include population-related indicators. The combination of these policy



objectives and use of enrolment-based indicators has, therefore, limited the improvements in equity of development financing as measured by per capita terms. Technically population measures equality, not equity, and the formula is intended to represent an equitable distribution of resources. It has therefore been agreed to focus on equity in terms of the application of formulae to grant resources, going forward.

28. **Respectively, 98.82 percent and 99.97 percent of the total budgeted health and education sector conditional grants were released in 2017/18 and in 2018/19⁶.** This means that improvements in adequacy and equity have been achieved in budget execution, not just allocations. Releases are predictable. They are made in the first month of the quarter. Operational transfers are made directly to health facility, school and employee bank accounts by the Ministry of Finance. Development grants and the local government administration share of recurrent grants are made available to LGs in the Treasury Single Account (TSA).

29. **The management of fiscal resources⁷ by LGs has improved in health and education as measured by the new Local Government Performance Assessment (LGPA) introduced under the IFTRP in both health and education.** Three annual LGPAs of all Districts and Municipalities have taken place so far and have shown improvements in the management of service delivery. Comparing FY2016/17 and FY2018/19, the overall average score for the LGPA increased in education from 52 percent to 65 percent, health from 53 percent to 70 percent, water and sanitation from 59 percent to 68 percent and cross-cutting areas from 56 percent to 61 percent of the maximum score (Figure 3).

Box 2: Examples of Grant Allocation Formulae under the Original Program

Seven variables have been agreed with the Ministry of Health to determine the formula-based non-wage recurrent allocations to districts. With a weight of 60 percent, population is the major determinant in guiding the allocations. Population is used as the proxy for the target beneficiaries and is, therefore, an indicator for the demand of health services and the scale of services required. The number of HCIII and HCIV as well as fixed costs account for another 28 percent in the formula to ensure sufficient funds to cover variable and fixed costs of existing health centers. Infant mortality and poverty headcount approximate socio-economic goals of increasing access for poorer communities with the objective to equalize health outcomes through increased immunization, nutrition and hygiene. Strengthening the health system in these districts will address the causes of health disparities. The rationale for population in hard to reach areas (weight of 2 percent) is the higher cost of providing services in areas such as Kalangala, which is made up of islands.

Variable	Weight
Infant Mortality	8
Population	60
Poverty Headcount Ratio	2
Population in Hard to Reach Hard to Stay Areas	2
Number of HC III	16.8
Number of HC IV	7.2
Fixed Allocation	4

Non-wage recurrent grants for education are mainly determined by the number of learners (90 percent). Specifically, the actual number of children in school is a key driver for operational costs of education services as more students need more capitation grants and other school inputs. LGs with lower proficiency in English and Math receive additional resources to help equalize key education performance outcomes. Population in hard to reach areas and land area impacts the cost of providing education, especially in sparsely populated areas with large land size such as the Karamoja region.

Variable	Weight
Number of learners	90
Performance index	6
Population in Hard to Reach, Hard to Stay Areas	2
Land area	2

Health and Education Development grants are made up of a formula-based share and a share for construction/upgrading of new facilities linked to policy objectives. Both formulae used population-based parameters: 30 percent of the education development grant was formula based and 70 percent was allocated to the construction of new secondary schools in sub-counties without; 20 percent of the health development grant was formula based in 2019/20 whilst 80 percent was allocated to upgrading facilities to Health Centre III. In 2019/20 the formula-based share was also linked to the results of the performance assessment for the first time.

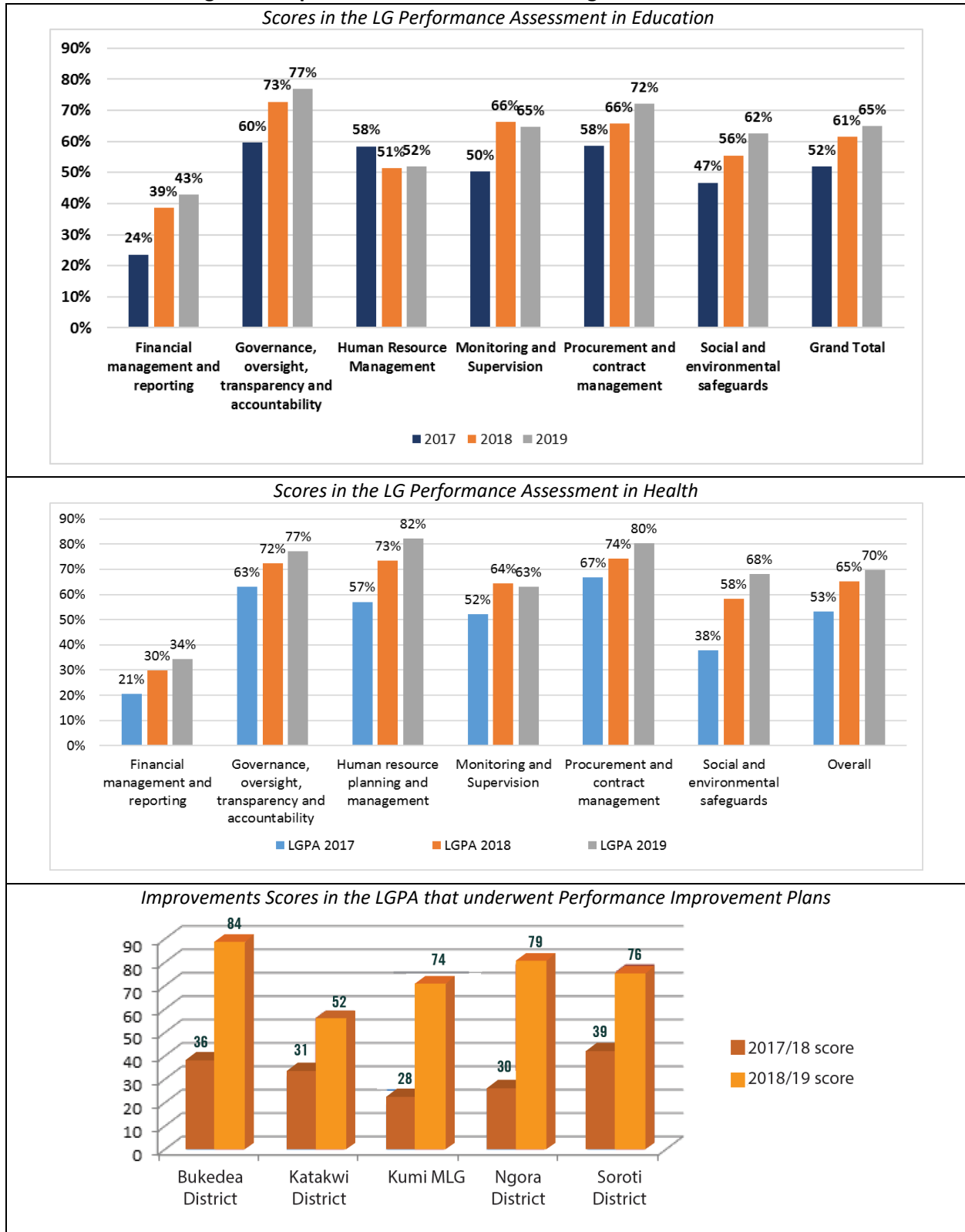
A more detailed description of the updated formulae to be used across sectors, is given in Annex 6.

⁶ MoFPED annual budget performance reports for 2017/18 and 2018/19

⁷ The following is assessed in each sector: i. human resource, planning and management, ii. monitoring and inspection, iii. governance, accountability and oversight, iv. procurement and contract management, v. financial management and reporting, vi. Social and environmental safeguards.



Figure 3: Improvements in the Fiscal Management of Resources



30. Overall the incentive framework of the Local Government Performance Assessment, Financial Incentives and Performance improvement Plans is working. Performance Improvement Plans (PIPs) were



implemented for poorly performing LGs in FY2017/18, which resulted in significant improvements in their LGPA scores in FY2018/19. Local Government PIPs however were not prepared in 2019 as a result of delays to the formal announcement of results. As part of the GoU’s IFTRP, in FY2019/20 the LGPA results were introduced as a variable in the allocation formulae for sector LG development grants in health, education, water and environment and the discretionary development equalization grant. Although this was one year behind schedule, it represented an important step in establishing incentives. Although improvements have not been universal, combined these incentives have contributed towards significant improvements in LG performance over two years.

31. **The Program has disbursed so far US\$106.18 million or 53 percent as of July 2020.** The Bank disbursed the first advance mid-June 2019 totaling US\$50 million, while the second advance and results payment were disbursed mid-February 2020 totaling US\$56.18 million.

32. **The achievement of DLIs has been satisfactory and speaks to the decisive steps taken toward restoring the adequacy and equity of financing LG service delivery and the management of service delivery.** Nine DLIs were selected to support results under the Program. The GoU has fully or partially achieved 12 out of 18 Disbursement Linked Results (DLRs) in Year 1 (FY2017/18) and Year 2 (FY2018/19). Early in the program, wage allocations were increased beyond what was envisaged in the MTP which made it more costly to achieve target percent increases in grant allocations in year 2 (DLIs 1.1 and 2.1). Rather than attempt to achieve these from FY2019/20 onwards, the commitments relating to wage-recurrent allocations have been reformulated as part of the restructuring and AF, in the context of the revised MTP. The 2020/21 Approved Budget estimates for 2020/21 are broadly consistent with the revised MTP.

Table 1: Achievement of DLIs

DLI	Y1 - 2017/18 By June 2018	Y2 - 2018/19 By June 2019
Results Area 1. Enhancing Adequacy and Equity of Fiscal Transfers and Fiscal Management of Resources for Education Services		
DLI 1.1: Annual increase in budget allocation to sector conditional grants (wage, non-wage, recurrent, and development) to LGs for education services	Achieved	Not Achieved
DLI 1.2: Enhanced, equitable formula for operational grants in education phased in as planned	Achieved	Achieved
DLI 1.3: Enhanced, equitable formula for development grants in education implemented as planned	Not Achieved	Achieved
DLI 1.4: The quality of fiscal management of education resources by LGs is maintained	Achieved	Achieved
Results Area 2. Enhancing Adequacy and Equity of Fiscal Transfers and Fiscal Management of Resources for Health Services		
DLI 2.1: Annual increase in budget allocation to sector conditional grants (wage, non-wage, recurrent, and development) to LGs for health services	Partially Achieved	Not Achieved
DLI 2.2: Enhanced, equitable formula for conditional non-wage recurrent grants in health phased in as planned	Not Achieved	Achieved
DLI 2.3: Enhanced, equitable formula for development grants in health implemented as planned	Not Achieved	Achieved
DLI 2.4: The quality of fiscal management of health resources by LGs is maintained	Achieved	Achieved
Results Area 3. Improvement in Fiscal Management of Education and Health Services		
DLI 3: LG Performance assessments, performance improvement plans, value for money audits, and fiscal management improvement planning take place	Partially Achieved	Partially Achieved
Value of DLIs		
DLIs planned to be achieved	US\$40 million	US\$40 million
Achieved DLIs	US\$26.05 million	US\$29.5 million
DLIs not achieved	US\$13.95 million	US\$10.5 million

33. **Overall, the institutional arrangements for advancing reforms have been effective.** Institutional coordination and management of reforms has improved at both the political and the technical level with increased ownership of the GoU. The oversight and steering committees are regularly attended by ministers and accounting officers respectively, and engagement of technical staff responsible for implementation have broadened within and across implementing agencies. Furthermore, attention of stakeholders, especially at the top, is moving beyond the initial focus on the construction of new facilities to the operational aspects searching for ways to



improve service delivery and value for money at the facility level. A positive development has been the formation of multi-sectoral National Resource Pools which support the preparation of Performance Improvement Plans, the dissemination of guidelines, and the newly established quarterly Joint Monitoring exercises. They are made up of civil servants and have had strong participation and ownership.

34. **Some implementation issues have emerged regarding the coordination and oversight of the program and the effectiveness of national engagement.** First, the communication and ownership of the UgIFT program needs to be broadened and strengthened and the dissemination of guidelines improved, so that stakeholders are aware of and implement changes to systems and processes at the local level. Second, the oversight, including performance improvement planning and monitoring of service delivery at national and local government levels need to be strengthened overall and, in particular, for construction. Notably, there has been a lack of appreciation for environmental and social requirements for civil works implementation at all levels, which means that little is being enforced on the ground. The quality of and completeness and quality of the outputs from these exercises, supported by the National Resource Pool, have been variable. Finally, the coordination of UgIFT is complex and resource intensive, and adequate resources need to be in place to perform the required tasks at the center.

35. **The key challenge ahead in maximizing the impact of increased resources and associated fiscal transfers reforms is to improve the quality of service delivery for the population at the facility and subcounty level.** Whilst increasing resources to service delivery and improving the management of fiscal resources by LGs will help remove some of the binding constraints to LG service delivery and enhance incentives, improvements in the actual delivery of services to the population will not happen automatically. This challenge has been placed to the GoU and World Bank by the leadership of the Ministry of Finance, Planning and Economic Development (MoFPED) and Sector Management - to make UgIFT count for service delivery.

D. Rationale for AF and Restructuring

36. **The success of the Program has led the GoU to request a deepening and broadening of the scope of the Program.** There are four key rationales for additional financing.

37. **First, increasing the scope to more sectors will broaden the impact of the IFTRP on local service delivery.** Whilst the IFTRP covers all decentralized services, the original UgIFT only covers the two largest decentralized sectors (education and health), while other sectors remain severely underfunded. With the original UgIFT recognized as an effective framework to support sectoral services, the scope can be extended to other decentralized sectors within the IFTRP to improve the adequacy and equity of financing to deliver sector objectives:

- **Water and Environment.** Funding of Rural Water Supply and Sanitation has been declining in real per-capita terms since the beginning of the millennium. Meanwhile, the financing of environmental management functions at the LG level have been discontinued. The rural water and sanitation sector have strengthened the design of fiscal transfers and the sector has been part of the LGPA supported by UgIFT from the outset.
- **Micro Irrigation.** Irrigation is a function of LGs, which remains unfunded. The 2017 National Irrigation Policy recently elaborated their role in the development of irrigation infrastructure, management and the provision of auxiliary extension services. Micro irrigation is becoming increasingly important in making agriculture more resilient to climate change, as well as allowing for intensification and diversification of production. Despite the availability of water resources and the increasing need for irrigation given recent droughts, irrigation in Uganda has not expanded. LGs can have a pivotal role in the creation of the enabling environment for the development of micro irrigation among smallholder farmers and thereby contribute to poverty reduction.

38. **Second, by deepening the sectoral engagement, this will ensure that going forward the IFTRP reforms lead to improvements in local service delivery.** Additional financing under UgIFT can do this by both supporting and incentivizing the functional change required to deliver such an improvement, in the following four areas:



- a. UgIFT has the potential to increase the impact of resources on service delivery by focusing on **performance at the point of delivery**, through rolling out performance assessment and improvement frameworks at the facility and subcounty level which address bottlenecks to service delivery.
- b. **Staffing is a key constraint** to service delivery in many LGs – schools and health facilities do not meet staffing requirements and critical staff are in position in higher and lower LGs. In 2019, only 8 percent of LGs had all heads of department substantively in place. Targeted incentives and financing have the potential to address this intractable issue.
- c. The impact of the IF RTP has been reduced as a result of **weaknesses in the center playing its roles**. The quality of oversight by sector ministries is mixed. Guidelines are not adequately disseminated, and LG stakeholders are not adequately trained. Central follow up of routine service delivery – such as school inspection, is weak. National oversight of construction is undertaken, but it is often poorly planned and haphazard, and this cascades down to contract and safeguards management at the local level. By placing explicit emphasis on strengthening oversight by central government including, UgIFT can help the management and delivery of services at the local level.
- d. Furthermore, persistent **weaknesses in the processes and systems** used at the local level can be addressed by concerted action at the center to strengthen them, including the development of digital technologies.
- e. Finally, by **linking the size and distribution of financing for local service delivery to the costs of delivering those services** as a priority, the IF RTP can contribute more effectively towards achieving sector objectives.

39. **Thirdly, UgIFT is uniquely placed to support the integration of service delivery to refugees and their hosts into the LG service delivery system in the sectors it supports.** UgIFT has a strategic relevance because it addresses the binding constraint of low and inequitable levels of funding for health, education and water at the local level which includes those provided to refugees and their hosts. UgIFT directly supports priorities identified in the education and health Response Plans. GoU is also building on the inclusion of refugees within the National Development Plan II and extending this integration within the National Development Plan III (2020/21 to 2024/25). The refugee inflow has put a significant strain on LG services, and this is likely to increase as humanitarian support to service delivery declines and the implications of COVID-19 become clear. Refugee hosting districts have the potential to transition to a state where they will provide an integrated service delivery system to refugees and their hosts, which is predicated on the overall assumptions that shared access to basic services will: reinforce the protection space; encourage peaceful co-existence of the two co-habiting communities; and increase the efficiency of services provided to both communities. However, these systems need to be integrated and financed by LG transfers to ensure their sustainability, especially as current humanitarian support is waning – in line with the GoU approach to refugee management that aims for refugee integration.

40. **Fourthly, the rationale for UgIFT is made more compelling in the context of the COVID-19 response and recovery and the locust invasion.** The national COVID-19 response relies on the primary and public health services provided by local government, which UgIFT supports. In the short term and the recovery phase, UgIFT will protect these and other basic services provided by local governments. Investments in Education Water, Sanitation and Hygiene Promotion will aid in the recovery and build resilience to future pandemics. Investments in irrigation will similarly improve the resilience of agricultural production and contribute towards food security. UgIFT will also contribute towards increasing the finance and building more robust systems for local service delivery over the medium term. UgIFT is well positioned to provide support and incentives for rolling out e-solutions that improve management, accountability, and transparency which will help in the context of social distancing measures in the short-term and improve efficiency in future.

E. Relationship to the CPF and the Rationale for the Use of Instrument

41. **The Program will continue to support three objectives from the World Bank Group Country Partnership Framework (CPF, 101173-UG) for Uganda for FY16-21, namely enhancing economic governance and fiscal management, improving social service delivery, and contributing to raising rural incomes.** The Program supports



the reduction in inequities across LGs in per beneficiary spending on social services by providing additional funding to LGs and creating incentives for improved performance. This contributes to improved social service delivery as measured by the CPF objective indicators in terms of increased gross enrollment rate in lower secondary schools and increased percent of deliveries with skilled attendants, The Program also supports the achievement of the CPF objective indicator for better economic governance and fiscal management by reducing the ratio of average spending per capita between ten best-funded and ten worst-funded districts in the health and education sectors. The Program will deepen the focus on service delivery, enhancing value for money (VfM), and reducing inequities in public spending on social services helps achieve the twin goals of ending extreme poverty and promoting shared prosperity in a sustainable manner. Introducing micro irrigation into UgIFT will further contribute to raising incomes in rural areas, by increasing agricultural productivity, improving climate resilience of the poor and vulnerable farming communities, and contributing to food security.

42. **The PforR remains the most appropriate instrument for addressing the challenges related to the implementation of the intergovernmental fiscal transfer reform.** The operation has supported the institutional strengthening of government systems both at the central level and local level through establishing a performance assessment, incentivizing performance, and implementing a system of targeted performance improvement programs for LGs. The UgIFT Program has gone beyond increasing the size of the resource flows to LGs and improving the equity in the allocation of those resources. Specifically, it has incentivized judicious fiscal management of those resources at the LG level and supported targeted performance improvements in those LGs that are performing poorly on performance assessment scores. The AF will focus more on systems and capacity development, and the introduction of an IPF component was considered to ensure the quality delivery of related activities. This would, however, complicate implementation and some GoU stakeholders have raised concerns that changing the modalities of activities to an IPF could also undermine the current ownership that has been established. Instead, the Program will use existing and established project management structures in MoFPED of the Reform Coordination Unit (RCU) to deliver selected systems and capacity development activities. These structures are already funded through the GoU Budget and have a track record of over a decade of supporting technical assistance and capacity activities and contracting experienced firms and consultants. The UgIFT oversight structures will help further ensure the quality of such activities.

43. **AF was the preferred option for broadening and deepening the implementation of the IFTRP over stand-alone operations because of the benefits of a multi-sectoral program, and the government buy-in of the existing framework.** As a multi sectoral program, UgIFT has encouraged cross sectoral coordination, collaboration and problem-solving. The coordination mechanisms also provide a high-profile forum for sector stakeholders to raise and address sector specific issues in a way a stand-alone operation might not be able to provide. The inclusion of refugees within the AF provides an opportunity to strengthen these cross sectoral coordination mechanisms to better link humanitarian and development assistance across refugees and host communities. In addition, the strong government buy-in for the current operation after a steep learning curve provides an additional rationale for the proposed multi-sectoral program.

44. **Other World Bank instruments and Development Partners will continue to support the IFTRP agenda and UgIFT.** The Uganda Support to Municipal Infrastructure Development Program (USMID, P163515) also supports the IFTRP, financing urban development in municipalities and service delivery investments in refugee hosting LGs via the Discretionary Development Equalization Grant (DDEG). The European Union (EU) is planning to support the DDEG in rural areas. UK Department for International Development (DfID) has provided technical support to the fiscal transfers reforms through the ODI Budget Strengthening initiative and their sectoral programs. As implementation progresses, it is expected that the framework that IFTRP and UgIFT provides will crowd in further Development Partner support.



III. DESCRIPTION OF PROPOSED ADDITIONAL FINANCING

A. Program Development Objective

45. **The principle of the Program Development Objective (PDO) remains the same, with the new PDO incorporating the expanded scope for the AF and the focus on service delivery.** The updated PDO is to improve the adequacy, equity and effectiveness of financing and the oversight, management and delivery of LG services in education, health, water and environment, and micro irrigation, including refugees and their host communities.

46. **Combined UgIFT support provides a clear intervention logic, which will contribute towards strengthening service delivery performance and ultimately outcomes.** The results chain, which is visualized in Figure 4 involves:

- a. At the level of central government, UgIFT will (i) continue to contribute and expand its contribution towards the provision of adequate and equitable recurrent and development financing for service delivery linked to LG performance based on the costs of delivering those services (Results Area – RA1), and (ii) facilitate central government take key actions to strengthen local service delivery processes and systems, which address challenges to service delivery, and (iii) strengthen its routine oversight and technical support of LG service delivery (RA2);

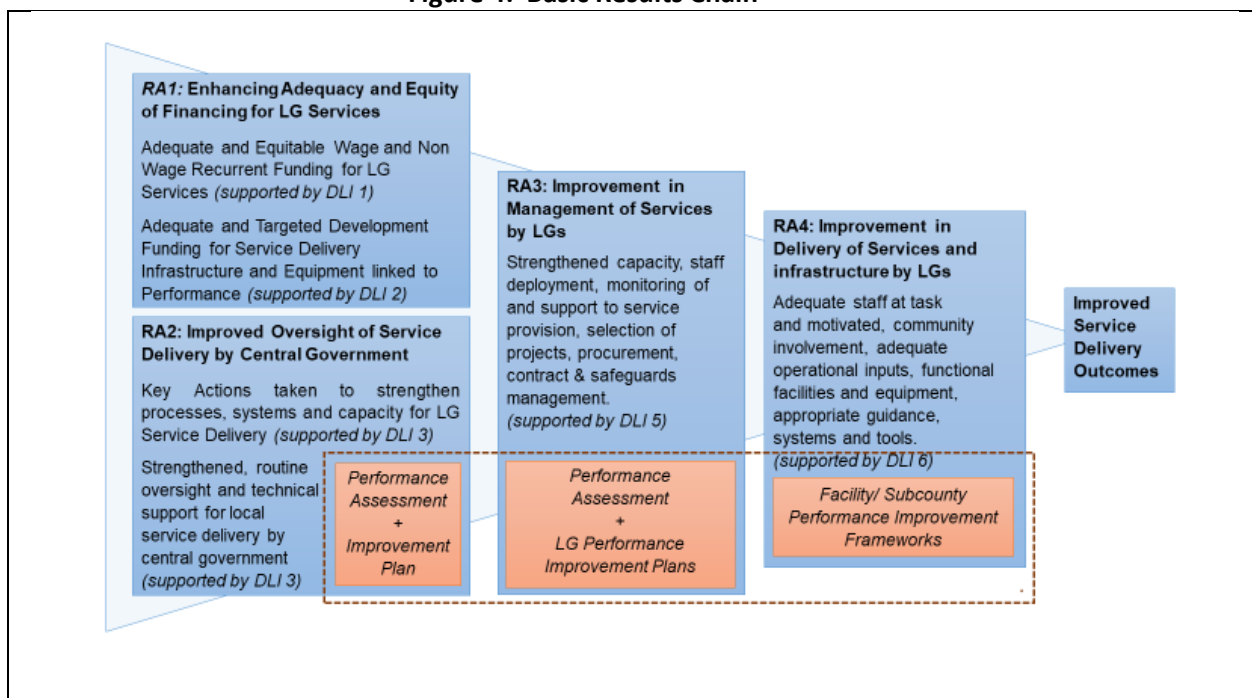
which will enable and incentivize

- b. LGs to improve their: (i) recruitment, deployment and management of human resources in line with basic requirements, (ii) management, monitoring and supervision of services (iii) investment selection, delivery and management, and (iv) environment and social management, using strengthened guidelines, systems and processes and increased resources (RA3);

which in turn will enable and incentivize

- c. Health Facilities, Schools and Lower Local Governments (LLGs), provided with the staffing, infrastructure, equipment, operational inputs and motivation they require, to meet basic standards and improve service delivery performance (RA4).

Figure 4: Basic Results Chain





47. **The PDO level and intermediate indicators have been revised based on the changes to the PDO and aligned to the results chain.** Equity PDO indicators and associated interim results have been adjusted to reflect the application of the allocation formulae and addressing staffing shortfalls. PDO indicators and interim results indicators will measure service delivery performance, and performance in relation to national government oversight of service delivery alongside the management of service delivery by LGs. The integration of refugee hosting districts into local service delivery will be reflected in interim results. The structure of indicators has changed throughout to provide a framework which accommodates four sectors, whilst maintain true to the original objectives. Table 2 below sets out the changes to PDO indicators and highlights other changes to the results framework. More details of the RF are provided in section IX. In addition to indicators in the RF, additional data on service delivery performance, for refugee hosting LGs and on safeguards as well as gender disaggregated data will be collected as part of routine Program monitoring and evaluation and presented in Program annual progress reports.

Table 2: Summary of adjustments to PDO Indicators

Results Areas	Adjusted PDO Indicators	Description of Change to PDO and IRI indicators
1. Enhancing Adequacy and Equity of Financing for LG Services	PDO Indicator 1a: Adequacy and Equity of Staffing for service delivery - (i) primary schools- percent of LGs with enough teachers to meet minimum staffing levels, (ii) secondary schools - percent of LGs with enough teachers to meet minimum staffing levels and (iii) health facilities - % of LGs with enough health workers to meet minimum staffing levels and (iv) percent of LGs with all critical sector department and LLG staff in place.	<ul style="list-style-type: none"> • Adequacy and equity objectives are combined in a results area. • Adequacy PDO indicators adjusted to measure nominal allocations. • Equity PDO indicators for wage to focus on uplifting the least funded LGs to basic standards. • Equity indicators for development and recurrent changed to application of formulae, as a proxy for equity instead of per-capita which measures equality. • IRIs reflect a) increases in per capita allocations and b) uplifting transfers and implementing formulae.
	PDO Indicator 1b: Adequacy of Non-Wage Recurrent and Development Financing for Service Delivery – (i) LG Non Wage Recurrent Financing - Nominal Budget Allocations for Health, Education, Water and Environment (UGX billion) and (ii) LG Development Financing - Nominal Budget Allocations for Health, Education, Water and Irrigation (UGX billion)	
	PDO Indicator 1c: Equity of Non-Wage Recurrent and Development Financing for Service Delivery - (i) LG Non Wage Recurrent Financing - % of Grant Allocations for Health, Education, Water and Environment based on an Equitable Formula (ii) LG Development Financing - % of Grant Allocations for Health, Education, Water and Irrigation based on an Equitable Formula.	
2. Improved Oversight of Service Delivery by Central Government	PDO Indicator 2: Core Functions Carried Out in the Oversight of Service Delivery by Central Government - Number of core functions carried out in support of service delivery (in education, health, water and environment, micro irrigation and crosscutting areas).	<ul style="list-style-type: none"> • This is a new indicator and results area, which incorporates former results for conducting performance assessments, improvement plans and value for money audits. • IRIs include central performance in specific areas relating to oversight of service delivery and construction, safeguards, and actions to improve strengthen systems, processes and performance, including those relating to refugee hosting LGs and safeguards.
3. Improvement in Management of Services by LGs	PDO Indicator 3a: Improvement in the LG Performance in the management of service delivery and investments - Improvement in LG Management Performance Overall (in Education, Health, Water & Environment, Micro Irrigation, Cross-cutting Areas)	<ul style="list-style-type: none"> • This is an existing indicator, which will be extended to cover water and sanitation. The later has already been included in the assessment from its inception. • IRIs include LG performance in specific areas relating to oversight of service delivery and construction, safeguards and performance.
	PDO Indicator 3b: Improvement in LG management performance in the worst performing LGs - Improvement in LG management performance in the worst performing LGs (in Education, Health, Water & Environment, Micro Irrigation and Cross-cutting Areas).	
4. Improvement in Delivery of Services and infrastructure by LGs	PDO Indicator 4a: Improved Availability and Performance of LG Education Services <ul style="list-style-type: none"> • Availability of Services: percent of subcounties with population >15,000 with a government secondary school with basic facilities and minimum staffing levels • Service Delivery Performance: Average score in the primary school performance assessment improves 	<ul style="list-style-type: none"> • This is a new indicator and results area. PDO indicators here are provided by sector. The first set of indicators relate to functional service delivery at the subcounty level. The second dimension sets out indicators which measure service delivery performance.



Results Areas	Adjusted PDO Indicators	Description of Change to PDO and IRI indicators
	<p>PDO Indicator 4b: Improved Availability and Performance of LG Health Services</p> <ul style="list-style-type: none"> • Availability of Services: percent of sub-counties with population >15,000 with a functional health center III or IV with basic facilities, equipment and staffing • Service Delivery Performance: Average score in RBF facility assessment improves 	<ul style="list-style-type: none"> • IRIs highlight performance in specific areas for each sector. • IRIs also include sectoral indicators relating to safeguards and service delivery transition in refugee hosting LGs.
	<p>PDO Indicator 4c: Improved Availability and Performance of LG Water and Sanitation Services</p> <ul style="list-style-type: none"> • Availability of Services: percent of sub-counties with functional safe water coverage > 77 percent • Service Delivery Performance: Average score in the water and sanitation subcounty performance assessment improves. 	
	<p>PDO Indicator 4d: Improved Availability and Performance of LG Micro Irrigation Services</p> <ul style="list-style-type: none"> • Availability of Services: Number of farmers with and hectares of newly or improved irrigated land. • Service Delivery Performance: Average score in the irrigation subcounty performance assessment improves. 	

B. Overview of Changes to Interventions

48. **In the context of the updated IFTRP and MTP for financing LG service delivery, the broadened scope of UgIFT involves adjusting the Program boundaries in three main respects (scope, depth, timeframe).** First, increasing coverage of the sectors and integrating service delivery in refugee hosting LGs within the IFTRP covered by UgIFT; second, deepening sector engagement in existing sectors (education and health) and focus on service delivery at facility and subcounty level based on the updated scope of the IFTRP; and thirdly extending the timeframe by a year to end of June 2024. Furthermore, the UgIFT AF has been designed so that implementation can adapt in the context of the COVID-19 response and recovery and the associated uncertainty.

49. **UgIFT will be extended to two additional sectors, water and environment and micro irrigation, and to integrate services provided to refugees and their host communities in twelve districts.** This will enable implementation of the IFTRP in a larger share of decentralized services.

50. **The sector engagement will be deepened to support the updated approach in IFTRP, and its focus on strengthening service delivery.** Specifically, this will involve:

- a. **Rolling out performance assessment and improvement frameworks at the facility and lower local government (LLG) level, and ensuring they are applied to support and provide incentives for improved services at the point of delivery.** *In health*, enhanced service delivery performance will be achieved through mainstreaming Results Based Financing (RBF) and associated packages for performance improvement at the facility level and district management into the grant system from 2021/22. RBF is currently being rolled out nationwide under the Uganda Reproductive Maternal and Child Health Services Improvement Project (URMCHIP, P155186). This support will end in FY2020/21. Incentive payments under RBF will be revised to promote more balanced packages of services in facilities, incentivize preventative as well as curative interventions, and improve the quality as well as quantity of services. *In education*, a new performance assessment framework for primary schools will be phased, focused on drivers of learning. This will be accompanied by investments in the school inspection system, which requires revitalization and more proactive support to teachers to help them to improve their performance. *In water*, subcounty assessments will focus on the management of water facilities, hygiene and sanitation practices, prioritization of communities without water facilities and management information. *In micro irrigation*, the framework for performance assessment and improvement will focus on irrigation investment performance, the provision of complementary services and the mobilization and selection of farmers.



- b. Enabling and incentivizing LGs to meet agreed minimum requirements for staffing facilities and staff critical positions in higher and lower LGs, removing a key constraint to delivery.** The UgIFT parent Program did not explicitly address the distribution of wage allocations across LGs. The revised MTP is consistent with an uplift for the LGs with the lowest level of staffing to 75 percent of current *recommended* establishment levels in health, 80 percent in primary schools and 75 percent in secondary schools. Early on in the AF Program, affordable *minimum* staffing levels for health facilities and schools will be defined and agreed that can be achieved by 2023/24 and the MTP and MTEF updated accordingly. Critical sectoral and cross-cutting higher and LLG staff will also be identified. Through the LGPA, LGs will be given stronger incentives to recruit and deploy staff to facilities to meet minimum levels and fill critical staffing positions in higher and lower LGs. LGs will also be incentivized to provide support to the performance of frontline staff.
- c. Strengthening the core oversight functions of central government in support of local service delivery.** Firstly, the preparation, regular update and dissemination of guidelines and the associated training of LGs, LLGs, schools and health facilities will be made more systematic, and timely. Secondly, the strengthening of the performance assessment and performance improvement planning frameworks initiated under the parent program will continue, with a stronger role for sector ministries in particular. Thirdly, the routine sectoral and joint monitoring and technical support to service delivery and construction will be strengthened. This will involve the institutionalization of quarterly joint monitoring of constructions, and emphasis will be placed on safeguards. The quality of these processes will be strengthened through the provision of additional support to the National Resource Pool, in the preparation of PIPs and monitoring reports and importantly providing technical support to LGs to follow up on their recommended actions. Support will also be provided training exercises associated with the dissemination of updated guidelines. In parallel the institutional capacity of central MDAs to provide its core oversight functions will be reviewed and strengthened and their performance will be assessed.
- d. Strengthening processes, systems and capacity for LG service delivery.** A key value of the IFTRP, supported by UgIFT, has been the development of joint solutions across sectors to addressing challenges to service delivery. As part of the update of the IFTRP and the preparation of the AF, the GoU has identified an ambitious agenda of sectoral and cross sectoral actions to strengthen LG processes, systems and capacity for service delivery. These actions are set out in a Service Delivery Improvement matrix (Annex 7). The matrix, inter alia, includes actions to strengthen institutional structures at different levels, to address frontline staff attendance and performance, to build and upgrade management information systems, to revise the structure of sector budgets and performance measures, to strengthen public investment and asset management, and to upgrade the tools for environment and safeguards management. The matrix also includes actions to support the transition and integration of service delivery in refugee hosting LGs. The use of Information Communication Technologies (ICT) will be important in many of the actions to strengthen the management of service delivery, even more so in the COVID-19 context, to enable remote mobile solutions, including training, planning, participation, implementation, monitoring, accountability, and transparency⁸. The matrix is intended to be a flexible tool to help identify and manage complementary actions to strengthen systems and processes within and across sectors and processes. Progress will be monitored regularly. UgIFT will provide financing and incentives to implement this agenda.
- e. Linking the size and distribution of financing for local service delivery to the costs of delivering those services.** One of the main premises of the IFTRP was restoring the real value of transfers to LGs and the original MTP for financing local service delivery involved uplifting transfers to these levels. Medium-term

⁸ Simple mobile solutions like text messaging, phone calls, and social media messaging may be used. Smartphones with simple applications that enable geo-tagging of field activities supported by pictures and data points in real/near-real time aggregated through online management dashboards would improve evidence-based decision making, improve construction monitoring, enhance spatial coverage of service delivery activities, and address absenteeism challenges. Similarly, agile models of training will be rolled out.



budget allocations for service delivery, inter alia, need to be aligned with the cost implications of new facilities constructed, the roll out of the new performance frameworks at the level of service facilities and addressing disparities in staffing. Sector costing exercises are underway and informing more realistic trajectories of wage, non-wage recurrent spending and development spending on LG service delivery and the management and oversight of those services. In health, the cost of medical supplies, major service delivery inputs which are procured at the center, is being factored into the MTP. This balanced approach will contribute towards allocative efficiency, by ensuring that increased resources for capital inputs, for example, are matched, to extent possible, by allocation to other critical inputs including personnel and medicines and medical equipment in health. The UgIFT AF will help incentivize adherence to the updated MTP, based on the costings, in the Budget and MTEF for the four sectors.

51. **Underpinning the continued and new interventions will be the incentives and support delivered through the three levels of the performance assessment and improvement framework – national oversight, LG management, and service delivery.** Development grant allocations will continue to be linked to the assessment of the district management of service delivery and incentives will be strengthened. The latter will involve new minimum criteria being identified for a LG to access the performance component window for each sector development grant and the DDEG. If the average LG failed to meet all minimum conditions, it would forfeit approximately 20 percent of its development grants or US\$225,000⁹. If it were to be in the bottom 25 percent of all sectoral and crosscutting assessments, this would cost a LG US\$41,000 or 4 percent of development grant allocations¹⁰. These represent powerful incentives, especially when the costs of poor performance are made public. Aggregate service delivery performance will impact on LG performance scores. In addition, in health via RBF, and education via school performance assessments links will be established with recurrent grant allocations. Together with this, administrative actions will be explored for those responsible for weak performance and failure to act. The performance assessment will continue to be coordinated by the OPM, with sectors responsible for the design of the performance measures at the different levels within their sectors. Service delivery and national performance assessment results will be disseminated widely. Assessment results will be entered into or linked to the Online Performance Assessment Management System (OPAMS) and combined information on facility and subcounty performance made publicly available on the Budget Website (www.budget.go.ug) or equivalent. Further details of the Performance Assessment and minimum conditions are Provided in Annex 2.

52. **Within this framework, a deliberate agenda will be supported under the AF within and across sectors to address challenges to service delivery at each of the three levels in the results chain.** A few highlights of the proposed sectoral interventions are provided here, whereas a more detailed description is provided in Annex 2.

- **In the Education Sector**, financing for approximately 14,000 primary and 1,400 secondary school teachers will be provided in the least staffed LGs and new secondary schools to enable them to meet basic *minimum* school staffing levels. Additional inspectors will be recruited to meet a ratio of one inspector to 40 schools. Capitation grants for primary and secondary schools will continue to be increased, enabling schools to make instructional materials available to teachers and maintain facilities. In addition, financial incentives linked to school performance will be tested and phased in. The construction, equipping and staffing of at least 259 new secondary schools will be completed. A formula-based component of the development grant will fund the rehabilitation, expansion and equipping of existing schools to enable them to meet agreed basic standards. This will enable construction of 284 laboratories in existing secondary schools and investments of US\$30,000 in 1,000 existing primary schools.
- **In the Health Sector**, improvements in the equity and adequacy of local health financing will also continue, informed by sector costing. Financing for at least 11,000 health workers will be provided for the least

⁹ For the average LG, missing the minimum conditions would cost up to US\$30,000 in health, US\$40,000 in Education Development Grant Allocations, US\$80,000 in Water, and US\$80,000 for the a PRDP/LRDP DDEG LG.

¹⁰For the LG performed in the bottom 25 percent of LGs, its grant allocations would be US\$10,000 lower in health, US\$40,000 lower in Education, US\$10,000 lower in Water and US\$7,000 lower for a PRDP/LRDP DDEG LG.



staffed LGs to enable them to meet *minimum* facility staffing levels. Allocations for essential medicines will be increased and the mechanisms for allocating those supplies and the transparency of allocations will be enhanced. Results Based Financing will be mainstreamed into non-wage recurrent transfers, creating incentives for service delivery performance. Allocations for essential medicines will be increased and the mechanisms for allocating those supplies and the transparency of allocations will be enhanced. The digitalization of health services will commence. The upgrading, constructing and equipping of over 380 facilities to HC III level will be completed and these facilities will be staffed and equipped. In parallel, the formula and performance-based share of the development grant will be linked to the rehabilitation, expansion and equipping of existing health facilities to meet minimum standards – enabling HCIIIs to qualify for RBF will be prioritized. This will enable investments of US\$50,000 in at least 500 existing HCIIIs.

- **In the Water and Environment Sector**, a new sector under UgIFT, the adequacy of water and environment sector financing will be enhanced, building on the equitable allocation principles already established under development grants for rural water. This will involve expanding the district water sector development grant over the UgIFT period to: (i) increase the number of sub-counties with safe water coverage above an agreed level, (ii) increase the functionality of existing potable water supply sources and (iii) enable investments in water supply for public institutions, including for newly constructed schools and health facilities. It is estimated that at least 750 thousand people will benefit from new or repaired water facilities. The Water and Environment recurrent allocations will be increased, and the design of the grant strengthened to support environmental management functions. Districts and Municipalities will promote environmental management functions initially focusing on the implementation of public investments, including water resources management and actions against deforestation.
- **For micro irrigation**, it is proposed to support smallholder farmers in selected LGs to purchase and use micro irrigation equipment. This would involve the development of a new system for delivering micro irrigation at the local level, managed by LGs. The latter will include matching grants, which will be rolled out based on a costed phase-in plan. The support to irrigation development will be capped at 1 hectare per farmer, and thus it is expected to be of interest mainly for smallholder, mostly subsistence, farmers with potential to transform to more commercial agriculture. UgIFT will support the first pilot phase covering 40 districts with preparations for a planned scale-up country-wide in the last year of the Program. Assuming, for example, an intermediate situation of farmers having a land holding of, on average 0,7 ha, with three out of four eligible farmers choosing solar (as the most subsidized option), the Program would be able to support 4,000 smallholder farmers over 3,000 ha for each of the first two years in the 40 districts. In 2022/2023 preparatory activities will be supported in all to prepare for the nationwide roll out in 2023/24. Using similar assumptions this would enable 12,000 farmers to irrigate an additional 9,000 ha per year.

53. **UgIFT will also support the integration of delivery of services to refugees and their host communities within the LG delivery system.** In doing so, refugee populations will be factored into allocation formulae and UgIFT will support the transition from humanitarian financing to integrated financing of service delivery for refugees and their hosts together with services already managed by LG. Refugee hosting LGs will develop integrated transition plans, which will combine sector financing from wage, non-wage recurrent and development grants in health, education and water with other funding sources, including complementary World Bank operations and those from humanitarian actors. This will help improve the effectiveness of combined resources supporting service delivery, reduce duplication and waste, and move the financing of service delivery onto a more sustainable footing. UgIFT financing from the refugee window will underpin allocations to sector conditional grants in health, education and water and sanitation in refugee hosting LGs which will increase significantly over



the program period. The integrated service delivery approach for refugee hosting LGs will be implemented initially in education, health and water supply and sanitation as follows¹¹:

- **In education:** schools would be transitioned from being run by communities and humanitarian partners to being operated by LGs. This will involve the transition of at least 1,400 primary teachers and is likely to benefit at least 25,000 learners. Simultaneously, existing government facilities that have the potential to serve additional host and refugee populations would be identified and expanded.
- **In health:** the transition from humanitarian partners to the LG transfer system would involve identifying the facilities that provide basic levels of care to refugees and hosting community and where necessary integrating them into the LG system. At least 280 health workers supported by humanitarian partners will be transitioned onto the LG payroll, equivalent to enough staff for at least 50 HCIIIs or 200 HCIs. In addition, focus would be placed on strengthening health promotion through village health teams and other community change agents and strengthening the functioning of the referral system in HCIIIs, IVs and hospitals. Regional blood banks in Hoima and Arua will be upgraded, to address scarcity in supplies.
- **Water Supply and Sanitation** the management of water supply services to refugees and their host communities would be mainstreamed. This means that services provided to refugees and host communities will be integrated into the LG system and support provided for the transition from service provision by humanitarian actors to LGs where appropriate.

54. **A first result that will be achieved prior to effectiveness is the integration of refugee population into the allocation variables for conditional grants.** Combined with explicit financing of the transition of services, results in transfers for refugee hosting LGs are increasing over the program period, from approximately US\$50 million a year in 2019/20 to in excess of US\$70 million in 2023/24, the year following the program. This amounts to an additional US\$57 million being transferred to refugee hosting LGs over the period over and above 2019/20 levels. A set of actions to support LGs to develop integrated transition plans and actual transition services will be incentivized through the DLIs, as will improvements to the oversight, management and delivery of services to refugees and their hosts.

55. **UgIFT has been designed so that interventions can be adapted in flexible manner to the changing context of COVID-19.** Whilst it is important to remain focused on the achievement of results, the methods to achieve results can be altered. Guidelines and manuals for local service deliver can be adapted to reflect changes in how services are to be delivered during and post COVID-19. The methods for dissemination and training can be adapted in the context of social distancing. Technology based methods for monitoring and oversight can be delivered, to reduce the requirements for travel. Whilst it is difficult to predict what will need to change, UgIFT will encourage adaptation to the new situation, whilst improving the adequacy and equity of financing, whilst strengthening the oversight, management and delivery of services.

C. Adjusted Framework for DLIs

56. **The framework for DLIs has been revised to achieve the results across the four results areas and additional sectors** as follows:

- a. **The DLIs covering the adequacy and equity of LG financing have been consolidated and sharpened (DLIs 1 and 2).** The DLIs are extended to cover both wage as well as non-wage recurrent funding in line with the MTP for financing local service delivery. The wage related DLI 1.1 focuses on financing the incremental cost of recruiting additional health workers and teachers in the least staffed local governments and of staffing the new facilities, as well as the costs of transitioning staff to the LG payroll in refugee hosting LGs. It also will provides incentives for providing adequate financing for critical higher and LLG staff. The level of financing for essential medical supplies, which are procured

¹¹ Irrigation will not be included, as the focus is on establishing the new approach in the first phase, before supporting integrated delivery to refugees and their hosts.



centrally, will also be included in non-wage recurrent related DLI 1.2. The combined recurrent and development DLIs, now DLIs 1 and 2 respectively, cover the adequacy and equity of conditional grants for LG service delivery in each sector set out in the MTP. This will enable the discontinuation of the original DLIs in the parent Program (1.1 and 2.1) relating to the overall size of health and education resources, as overall adequacy will be covered by DLIs 1 and 2.

- b. **A New DLI has been added relating to the implementation of key sector and crosscutting actions to strengthen service delivery process, systems and their implementation by central government (DLI3).** Each action is set out in a row in the Service Delivery Improvement Matrix (Annex 7) which will be included in the updated Program Operations Manual (POM), along with a description of the means of verification for each action. A value of US\$1 million will be assigned to each action.
- c. **New DLIs have been added to measure central government oversight (DLI 4) and improvements to the delivery of LG services (DLI6), in addition to the original LG management of service delivery (DLI 5).** These DLIs will be based on the results of the three levels of the LG Performance Assessment.

57. The table below summarizes the DLIs and shows the combined value of DLIs for Additional Finance and the original, restructured Program.

Table 3: Revised Structure of DLIs and Values Assigned

DLIs	Revised Scope of DLIs	Value Assigned (US\$M)																																																																																																	
Results Areas 1: Improving the adequacy and equity of financing of LG services																																																																																																			
DLI 1 – Adequacy and Equity of Recurrent Financing of Local Service Delivery Improves in line with the Medium-Term Plan for Financing Local Government Service Delivery. US\$175 million	<p><i>DLI1.1. Wage Allocations, Recruitment and Releases</i> Approved budget and MTEF wage allocations are consistent with plans in the MTP in specified areas for:</p> <p>(a) increasing staff by specified numbers in the least staffed LGs and staffing critical positions in higher local government departments and in lower LGs,</p> <p>(b) staffing of newly constructed/upgraded facilities to agreed minimum levels and</p> <p>(c) a specified no. of staff being transitioned onto the LG payroll in line with agreed plans in refugee hosting LGs, and</p> <p>(d) at least an agreed percentage of planned recruitment for the previous FY been completed, with new staff on the payroll, and releases are publicly available online.</p>	<table border="1"> <thead> <tr> <th></th> <th>By June 2020</th> <th>By June 2021</th> <th>By June 2022</th> <th>By June 2023</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Education</td> <td>6.00</td> <td>18.00</td> <td>18.00</td> <td>5.00</td> <td>47.00</td> </tr> <tr> <td>Health</td> <td>2.00</td> <td>8.00</td> <td>8.00</td> <td>5.00</td> <td>23.00</td> </tr> <tr> <td>LG Level</td> <td>1.00</td> <td>2.00</td> <td>2.00</td> <td>2.00</td> <td>7.00</td> </tr> <tr> <td>1.1 Wage</td> <td>9.00</td> <td>28.00</td> <td>28.00</td> <td>12.00</td> <td>77.00</td> </tr> <tr> <td>Original Credit</td> <td>8.00</td> <td>20.00</td> <td>-</td> <td>-</td> <td>75.00</td> </tr> <tr> <td>AF Credit</td> <td>1.00</td> <td>5.00</td> <td>25.00</td> <td>9.00</td> <td>40.00</td> </tr> <tr> <td>AF Grant</td> <td>-</td> <td>3.00</td> <td>3.00</td> <td>3.00</td> <td>9.00</td> </tr> <tr> <td>Education</td> <td>14.00</td> <td>14.00</td> <td>14.00</td> <td>10.00</td> <td>52.00</td> </tr> <tr> <td>Health</td> <td>8.00</td> <td>16.00</td> <td>8.00</td> <td>8.00</td> <td>40.00</td> </tr> <tr> <td>Water</td> <td>3.00</td> <td>1.00</td> <td>1.00</td> <td>1.00</td> <td>6.00</td> </tr> <tr> <td>1.2 NWR</td> <td>25.00</td> <td>31.00</td> <td>23.00</td> <td>19.00</td> <td>98.00</td> </tr> <tr> <td>Original Credit</td> <td>22.00</td> <td>25.00</td> <td>-</td> <td>-</td> <td>47.00</td> </tr> <tr> <td>AF Credit</td> <td>3.00</td> <td>3.00</td> <td>20.00</td> <td>16.00</td> <td>42.00</td> </tr> <tr> <td>AF Grant</td> <td>-</td> <td>3.00</td> <td>3.00</td> <td>3.00</td> <td>9.00</td> </tr> <tr> <td>DLI 1</td> <td></td> <td>34.00</td> <td>59.00</td> <td>51.00</td> <td>31.00</td> <td>175.00</td> </tr> </tbody> </table> <p>Note: For 2021, DLI 1 is split as follows: Original Credit Education DLR#1.1 US\$14million, DLR#1.2 US\$12 million; Health DLR#1.1 US\$4million, DLR#1.2 US\$2million; Additional Finance Education DLR#1.1 US\$2million and DLR#1.2 US\$1million; Health DLR#1.1 US\$14million and DLR#1.2 US\$12million.</p> <p>NB: This represents an expanded version of former DLI 1.2 and 2.2, including wage together with non-wage recurrent allocations for health and education and non-wage recurrent allocations for water and environment. The former DLI 1.1 and 2.1, relating to the overall adequacy of resources, will be discontinued from 2019/20 onwards. Adequacy has been built into DLIs 1 and 2.</p>		By June 2020	By June 2021	By June 2022	By June 2023	Total	Education	6.00	18.00	18.00	5.00	47.00	Health	2.00	8.00	8.00	5.00	23.00	LG Level	1.00	2.00	2.00	2.00	7.00	1.1 Wage	9.00	28.00	28.00	12.00	77.00	Original Credit	8.00	20.00	-	-	75.00	AF Credit	1.00	5.00	25.00	9.00	40.00	AF Grant	-	3.00	3.00	3.00	9.00	Education	14.00	14.00	14.00	10.00	52.00	Health	8.00	16.00	8.00	8.00	40.00	Water	3.00	1.00	1.00	1.00	6.00	1.2 NWR	25.00	31.00	23.00	19.00	98.00	Original Credit	22.00	25.00	-	-	47.00	AF Credit	3.00	3.00	20.00	16.00	42.00	AF Grant	-	3.00	3.00	3.00	9.00	DLI 1		34.00	59.00	51.00	31.00	175.00
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DLI 2 -The Adequacy and Targeting of Development Financing for Service Delivery Infrastructure and Equipment improves and is linked to Performance. US\$108 million	<p>Approved budget and MTEF allocations for development grants for service delivery for specified areas:</p> <p>(a) are consistent allocations to grant components within the MTP,</p> <p>(b) at least one component is based on an agreed formula,</p> <p>(c) the formula-based component is linked to performance as specified in the POM, and</p> <p>(d) at least 97% of 2021/22 budgeted transfers are released to all LGs with releases publicly available online</p>	<table border="1"> <thead> <tr> <th></th> <th>By June 2020</th> <th>By June 2021</th> <th>By June 2022</th> <th>By June 2023</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Education</td> <td>6.00</td> <td>6.00</td> <td>6.00</td> <td>6.00</td> <td>24.00</td> </tr> <tr> <td>Health</td> <td>8.00</td> <td>4.00</td> <td>4.00</td> <td>4.00</td> <td>20.00</td> </tr> <tr> <td>Water</td> <td>3.00</td> <td>3.00</td> <td>5.00</td> <td>3.00</td> <td>14.00</td> </tr> <tr> <td>Irrigation</td> <td>2.00</td> <td>10.00</td> <td>5.00</td> <td>23.00</td> <td>40.00</td> </tr> <tr> <td>DDEG</td> <td>1.00</td> <td>3.00</td> <td>3.00</td> <td>3.00</td> <td>10.00</td> </tr> <tr> <td>DLI 2</td> <td>20.00</td> <td>26.00</td> <td>23.00</td> <td>39.00</td> <td>108.00</td> </tr> <tr> <td>Original Credit</td> <td>14.00</td> <td>10.00</td> <td>-</td> <td>-</td> <td>24.00</td> </tr> <tr> <td>AF Credit</td> <td>5.00</td> <td>13.00</td> <td>20.00</td> <td>36.00</td> <td>74.00</td> </tr> <tr> <td>AF Grant</td> <td>1.00</td> <td>3.00</td> <td>3.00</td> <td>3.00</td> <td>10.00</td> </tr> </tbody> </table> <p>NB: This is a revised and combined former DLI 1.3 and 2.3 and extends to cover additional sectors.</p>		By June 2020	By June 2021	By June 2022	By June 2023	Total	Education	6.00	6.00	6.00	6.00	24.00	Health	8.00	4.00	4.00	4.00	20.00	Water	3.00	3.00	5.00	3.00	14.00	Irrigation	2.00	10.00	5.00	23.00	40.00	DDEG	1.00	3.00	3.00	3.00	10.00	DLI 2	20.00	26.00	23.00	39.00	108.00	Original Credit	14.00	10.00	-	-	24.00	AF Credit	5.00	13.00	20.00	36.00	74.00	AF Grant	1.00	3.00	3.00	3.00	10.00																																					
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DLIs	Revised Scope of DLIs	Value Assigned (US\$M)																																																												
Results Area 2: Improving performance in the oversight, management and delivery of LG services																																																														
DLI 3 (New) Number of key actions from the Local Service Delivery Improvement Matrix that take place which are intended to improve systems, processes and capacity for improved service delivery within and across sectors. US\$50 million	50 key actions from the Service Delivery Improvement Matrix have been completed where for each action completed the following is true: (a) the action completed is represented by a distinct row in the Service Delivery Improvement Matrix; (b) a definition of completion and evidence required for verification has been specified in the POM for that action; and (c) the action has been completed in a way that is consistent with the definition in the POM.	<table border="1"> <thead> <tr> <th></th> <th>By June 2020</th> <th>By June 2021</th> <th>By June 2022</th> <th>By June 2023</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>DLI 3</td> <td>28.0</td> <td>12.0</td> <td>10.0</td> <td>-</td> <td>50.0</td> </tr> <tr> <td>Original Credit</td> <td>18.0</td> <td>-</td> <td>-</td> <td>-</td> <td>18.0</td> </tr> <tr> <td>AF Credit</td> <td>8.0</td> <td>8.0</td> <td>6.0</td> <td>-</td> <td>22.00</td> </tr> <tr> <td>AF Grant</td> <td>2.00</td> <td>4.00</td> <td>4.00</td> <td>-</td> <td>10.00</td> </tr> </tbody> </table>		By June 2020	By June 2021	By June 2022	By June 2023	Total	DLI 3	28.0	12.0	10.0	-	50.0	Original Credit	18.0	-	-	-	18.0	AF Credit	8.0	8.0	6.0	-	22.00	AF Grant	2.00	4.00	4.00	-	10.00																														
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DLI 4 (New) Central Government core functions in oversight, guidance, performance assessment and improvement, monitoring and technical support to LG service delivery take place. US\$52 million	Central MDAs carry out their core functions in the oversight of service delivery to agreed levels in specified areas, including: (a) essential guidance, (b) performance assessment and improvement support, and (c) routine oversight, performance information, monitoring of service delivery and construction and safeguarding requirements	<table border="1"> <thead> <tr> <th></th> <th>By June 2020</th> <th>By June 2021</th> <th>By June 2022</th> <th>By June 2023</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>DLI 4</td> <td>4.0</td> <td>16.0</td> <td>16.0</td> <td>16.0</td> <td>52.0</td> </tr> <tr> <td>Crosscutting</td> <td>2.0</td> <td>4.0</td> <td>4.0</td> <td>4.0</td> <td>14.0</td> </tr> <tr> <td>Education</td> <td>1.0</td> <td>4.0</td> <td>4.0</td> <td>4.0</td> <td>13.0</td> </tr> <tr> <td>Health</td> <td>1.0</td> <td>4.0</td> <td>4.0</td> <td>4.0</td> <td>13.0</td> </tr> <tr> <td>Water</td> <td></td> <td>2.0</td> <td>2.0</td> <td>2.0</td> <td>6.0</td> </tr> <tr> <td>MAAIF</td> <td></td> <td>2.0</td> <td>2.0</td> <td>2.0</td> <td>6.0</td> </tr> <tr> <td>Original Credit</td> <td>4.0</td> <td>12.0</td> <td>-</td> <td>-</td> <td>16.0</td> </tr> <tr> <td>AF Credit</td> <td>-</td> <td>1.0</td> <td>13.0</td> <td>13.0</td> <td></td> </tr> <tr> <td>AF Grant</td> <td></td> <td>3.00</td> <td>3.00</td> <td>3.00</td> <td>9.00</td> </tr> </tbody> </table> <p>NB: This includes DLI 3 from the parent program which involved conducting of the Annual Performance Assessment and Performance Improvement Plans and has been extended to include dissemination and routine oversight.</p>		By June 2020	By June 2021	By June 2022	By June 2023	Total	DLI 4	4.0	16.0	16.0	16.0	52.0	Crosscutting	2.0	4.0	4.0	4.0	14.0	Education	1.0	4.0	4.0	4.0	13.0	Health	1.0	4.0	4.0	4.0	13.0	Water		2.0	2.0	2.0	6.0	MAAIF		2.0	2.0	2.0	6.0	Original Credit	4.0	12.0	-	-	16.0	AF Credit	-	1.0	13.0	13.0		AF Grant		3.00	3.00	3.00	9.00
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Results Area 3: Improving LG Management of Service Delivery																																																														
DLI 5 LG management of service delivery is strengthened overall and for the weakest performing Local Governments. US\$29 million	In the performance assessment of the LG management of services and delivery of infrastructure in the specified areas: (a) the number of LGs that have met the minimum conditions has reached the level specified in the POM and has not declined; and (b) the average ranking of a specified number of the weakest performing LGs, on average improves by a specified number, in comparison to the previous assessment. Note: for (a) to be achieved by September 2020 for the 2019/20 assessment the average scores have improved overall.	<table border="1"> <thead> <tr> <th></th> <th>By June 2020</th> <th>By June 2021</th> <th>By June 2022</th> <th>By June 2023</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>DLI 5</td> <td>6.0</td> <td>7.0</td> <td>8.0</td> <td>8.0</td> <td>29.0</td> </tr> <tr> <td>Crosscutting</td> <td>2.0</td> <td>2.0</td> <td>2.0</td> <td>2.0</td> <td>8.0</td> </tr> <tr> <td>Education</td> <td>2.0</td> <td>2.0</td> <td>2.0</td> <td>2.0</td> <td>8.0</td> </tr> <tr> <td>Health</td> <td>2.0</td> <td>2.0</td> <td>2.0</td> <td>2.0</td> <td>8.0</td> </tr> <tr> <td>Water</td> <td></td> <td>1.0</td> <td>1.0</td> <td>1.0</td> <td>3.0</td> </tr> <tr> <td>Irrigation</td> <td></td> <td></td> <td>1.0</td> <td>1.0</td> <td>2.0</td> </tr> <tr> <td>Original Credit</td> <td>4.0</td> <td>4.0</td> <td>-</td> <td>-</td> <td>8.0</td> </tr> <tr> <td>AF Credit</td> <td>2.0</td> <td>3.0</td> <td>5.0</td> <td>5.0</td> <td>15.00</td> </tr> <tr> <td>AF Grant</td> <td>-</td> <td>-</td> <td>3.00</td> <td>3.00</td> <td>6.00</td> </tr> </tbody> </table> <p>NB: This combines the former DLIs 1.4, 2.4 relating to LG management of health and education. from the parent program and will be extended to cover additional sectors.</p>		By June 2020	By June 2021	By June 2022	By June 2023	Total	DLI 5	6.0	7.0	8.0	8.0	29.0	Crosscutting	2.0	2.0	2.0	2.0	8.0	Education	2.0	2.0	2.0	2.0	8.0	Health	2.0	2.0	2.0	2.0	8.0	Water		1.0	1.0	1.0	3.0	Irrigation			1.0	1.0	2.0	Original Credit	4.0	4.0	-	-	8.0	AF Credit	2.0	3.0	5.0	5.0	15.00	AF Grant	-	-	3.00	3.00	6.00
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Results Area 4: Improving the Delivery of Services at the Local Level																																																														
DLI 6 (New) Service delivery performance is strengthened overall and for the weakest performing facilities and sub-counties s. US\$30 million	Service delivery performance is in specified facilities and/or LLG areas: (a) assessed (b) performance improves overall and (c) in facilities/LLGs/areas with weakest performance compared to the previous assessment.	<table border="1"> <thead> <tr> <th></th> <th>By June 2020</th> <th>By June 2021</th> <th>By June 2022</th> <th>By June 2023</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>DLI 6</td> <td>-</td> <td>5.5</td> <td>11.0</td> <td>14.0</td> <td>30.5</td> </tr> <tr> <td>Cross Sectoral (LLG)</td> <td></td> <td>1.0</td> <td>2.0</td> <td>2.0</td> <td>5.0</td> </tr> <tr> <td>Education</td> <td></td> <td>1.0</td> <td>2.0</td> <td>5.0</td> <td>8.0</td> </tr> <tr> <td>Health</td> <td></td> <td>2.5</td> <td>5.0</td> <td>5.0</td> <td>12.5</td> </tr> <tr> <td>Water</td> <td></td> <td>1.0</td> <td>1.0</td> <td>1.0</td> <td>3.0</td> </tr> <tr> <td>Irrigation</td> <td></td> <td></td> <td>1.0</td> <td>1.0</td> <td>2.0</td> </tr> <tr> <td>Original Credit</td> <td>-</td> <td>3.5</td> <td>-</td> <td>-</td> <td>3.5</td> </tr> <tr> <td>AF Credit</td> <td>-</td> <td>1.0</td> <td>8.0</td> <td>11.0</td> <td>20.00</td> </tr> <tr> <td>AF Grant</td> <td></td> <td>1.00</td> <td>3.00</td> <td>3.00</td> <td>7.00</td> </tr> </tbody> </table>		By June 2020	By June 2021	By June 2022	By June 2023	Total	DLI 6	-	5.5	11.0	14.0	30.5	Cross Sectoral (LLG)		1.0	2.0	2.0	5.0	Education		1.0	2.0	5.0	8.0	Health		2.5	5.0	5.0	12.5	Water		1.0	1.0	1.0	3.0	Irrigation			1.0	1.0	2.0	Original Credit	-	3.5	-	-	3.5	AF Credit	-	1.0	8.0	11.0	20.00	AF Grant		1.00	3.00	3.00	7.00
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DLI Values fully funded from the Original Restructured Program highlighted in black and jointly funded by the Original Program and Additional Finance in Green																																																														

58. The framework of DLIs is applied to all sectors and for crosscutting interventions, including the refugee response and actions related to fiduciary environmental and social risks mitigation. Table 3 sets out the revised structure for DLIs. Each sector has annually specified Disbursement Linked Results (DLRs) for each DLI. Similarly, DLRs are specified against DLIs for crosscutting interventions. This differs from the original UgIFT where sectors had their own DLIs and on DLI covered crosscutting areas. No separate DLIs relating to the refugee response or fiduciary, environment and social risk mitigation are proposed, but results relating to these areas are integrated into the achievement of each DLI in different ways.



59. **Another change is that DLIs are scalable based on the components of the DLI that have been achieved.** During implementation thus far, it has become apparent that having ‘all or nothing’ meant that in some cases the DLIs did not reward genuine progress made. Therefore, in the disbursement DLIs have been disaggregated and made scalable where appropriate, with amounts linked to the elements achieved, where appropriate. The verification arrangements for the revised DLI framework are set out in Annex 2.

60. **Flexibility is built into the DLI framework, which will allow adaptation of implementation in the context of COVID 19.** The DLIs are linked to the implementation of the MTP for financing service delivery, actions in the Service Delivery Improvement Matrix, and performance measures the LGPA. The contents of these instruments can be adjusted to the evolving context where necessary. For example, the grant allocations in the MTP and allocation formulae can be changed to reflect evolving service delivery needs and/or the macro-fiscal context. The actions within the Service Delivery Improvement Matrix can be changed to align any need to adapt service delivery systems and processes. Any changes to the MTP, Matrix or LGPA will be agreed between GoU and the World Bank and reflected in the Program Operations Manual. Similarly, adjustments to DLI verification protocols can be made in terms of the specifics of how DLIs are to be achieved. The principles of the IFTRP and the ambition of UglIFT AF to strengthen local service delivery will continue to guide and frame any adjustments.

D. Medium Term Plan for Financing Service Delivery, Program Expenditure Framework and Sustainability

61. **The Medium-Term Plan (MTP) for Financing Service Delivery is a key pillar of the IFTRP and is being revised based on sector costing.** Table 4 below sets out a summary of the revised MTP based on the sectors which have been costed, and further details are provided in the respective sectoral sections in Annex 2.

62. The MTP involves two main elements:

- a. First, the **allocations to fiscal transfers for local service delivery** over time. In addition to education and health, water and environment, and micro irrigation have been included in the MTP. Within health, the central allocations for essential medical supplies have been included in the MTP, which are key service delivery inputs for local service delivery. The MTP covers the period from 2017/18 to 2023/24. Although program expenditures will end in 2022/23 the last year of DLIs will impact on 2023/24 grant allocations.
- b. Second, **central government oversight and systems strengthening**, which is given great emphasis in the revised IFTRP. Allocations will be increased significantly, with costs divided into two components: 1) routine oversight, technical support and performance improvement; and 2) process, systems and capacity strengthening, which will support the delivery of actions in the Service Delivery Improvement Matrix.

63. **The Program Expenditure Framework represents a subset of the MTP and is limited to the non-wage recurrent and development transfers to LGs and national government costs.** Table 4 below shows the Expenditure Framework in US\$. The total expenditure framework is US\$1,229 million over the extended program period. Of this the World Bank will have contributed US\$450 million and GoU US\$789 million, or 36 percent up from 25 percent of the original program. The World Bank contribution is approximately equivalent to the value of development allocations and the GoU contribution to the value of recurrent allocations.

64. **The value of financing the refugee window and PBA grant element of US\$60 million approximates to the estimated allocations to non-wage recurrent and development sector conditional grants to refugee hosting LGs from 2021/22 to 2022/23** in the expenditure framework (US\$57 million) and there will be additional expenditures at the central level supporting interventions related to refugee hosting LGs. The value of increases in wage, non-wage recurrent and development transfers between 2021/22 and 2023/24 over and above 2019/20 levels incentivized by DLIs 1 and 2 also equals US\$57 million.



Table 4: Summary Medium Term Plan for Financing Local Services

Total Indicative LG Allocations (US\$ Billions)	Actual Budget Allocations			MTP Projections			
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	Original UglFT Timeframe			Additional Years			
Total LG Unconditional Wage Grant - Additional School Inspectors & Water/Environment Staff	0	0	0.0	0.0	6.2	10.4	10.4
Total Education	259.2	383.8	450.1	534.9	642.8	809.2	815.7
Total Education	259.2	383.8	450.1	534.9	642.8	809.2	815.7
Recurrent - Education Sector Wage Grant Increment (Cumulative)				17.2	73.7	133.4	145.9
o/w Primary Education Wage Increment (Cumulative)				0.0	27.5	51.6	51.6
Primary Education Wage Increment - Least Staffed LGs				0.0	24.1	48.2	48.2
Primary Education Wage Increment - Transitioned Refugee-Serving Schools				0.0	3.4	3.4	3.4
o/w Secondary Education Wage Increment (Cumulative)				17.2	46.2	81.9	94.3
Secondary Education Wage Increment - Least Staffed LGs				0.0	22.9	45.9	45.9
Secondary Education Wage Increment - Seed Secondary Schools				17.2	23.3	36.0	48.5
Recurrent - Education Sector Non-Wage Grant	226.7	255.3	298.1	335.3	384.7	438.4	468.0
o/w Primary Education - Non Wage Recurrent	67.8	85.1	131.8	160.4	196.2	233.8	248.3
Inspection/Monitoring			6.1	6.2	9.0	9.2	9.4
Results Based Financing - Primary Education			0.0	0.9	0.9	10.6	10.6
Capacity Building, Co-Curricular, Others			0.0	7.0	7.0	7.0	7.0
Capitation Grant			105.6	145.8	174.2	203.5	219.1
Remainder			20.1	0.5	5.2	3.6	2.3
o/w Secondary Education - Non Wage Recurrent	127.1	137.4	130.7	139.4	145.7	158.2	171.0
Inspection/Monitoring (Secondary & BT/VET)			1.2	1.0	1.2	1.2	1.2
Capitation Grant			129.6	131.9	144.5	157.0	169.8
Remainder				6.5	0.0	0.0	0.0
o/w Skills Development - Non Wage Recurrent	31.8	32.7	35.0	35.0	42.0	45.5	47.7
o/w SNE Education - Non Wage Recurrent			0.6	0.600	0.8	0.9	0.9
Development - Education Sector Development Grant	32.5	128.6	152.0	182.4	184.4	237.4	201.8
o/w Seed Secondary Schools & New School Labs (Construction & Equipment)	0.0	79.5	106.4	130.4	117.4	154.4	92.8
o/w Formula based	32.5	49.1	45.6	52.0	67.0	82.9	109.0
Total Health	39.9	109.3	106.2	249.0	426.6	464.5	464.7
Total Health - LGs	39.9	109.3	106.2	167.6	307.8	330.7	327.7
Recurrent - Health Wage Grant Increment (Cumulative)				3.5	43.3	70.5	70.5
Health Wage Grant Increment - Least Staffed LGs				0.0	27.2	54.3	54.3
Health Wage Grant Increment - Upgraded HC IIIs				3.5	13.9	13.9	13.9
Health Wage Grant Increment - Transitioned Refugee-Serving Health Facilities				0.0	2.3	2.3	2.3
Recurrent - Health Non-Wage Grant	39.9	39.9	56.2	85.9	131.4	140.1	155.1
o/w Primary Healthcare - Health Centres	25.3	25.6	36.6	56.0	94.8	103.2	116.2
o/w Primary Healthcare - Hospital	14.6	14.3	19.6	30.0	36.6	36.9	38.9
Development - Health Sector Development Grant	0.0	69.4	50.0	78.2	133.1	120.1	102.1
o/w Facility Upgrades & New HC IIIs (Construction & Equipment)		62.0	39.7	55.1	88.6	75.6	40.5
o/w Formula and Performance-Based		7.400	10.3	23.1	44.5	44.5	61.6
Total Health - Central Government (from FY 20/21)			75.3	81.4	118.8	133.8	137.0
Recurrent - Essential Medical Supplies & JMS - PNFP (from FY 20/21)			75.3	81.4	118.8	133.8	137.0
Total Water and Environment (from FY 20/21)			53.7	90.0	91.0	112.0	113.1
Recurrent - Water & Environment Non-Wage Grant (from FY 20/21)				13.0	13.5	14.0	15.1
Rural Water & Sanitation	5.3	530%	5.3	4.5	10.0	10.0	10.8
Natural Resources & Environment			0.8	3.0	3.5	4.0	4.3
Development - Water & Environment Development Grant (from FY 20/21)	48.4	48.4	48.4	77.0	77.5	98.0	98.0
Total Agriculture [Microscale Irrigation (from FY 20/21)]				5.9	50.0	67.6	150.0
Total Grant Allocations	299.1	493.2	556.3	879.8	1,216.6	1,463.8	1,553.9
Share going to Refugee Hosting LGs			41.4	57.4	77.2	87.3	96.6
Indicative Central Level Allocations (US\$ Billions)							
Routine Coordination, Oversight and Performance Improvement (DLI 4)	0.0	11.2	12.1	15.7	22.8	23.8	23.8
Strengthening Processes, Systems and Capacity for Service Delivery	0.0	0.0	4.9	2.5	40.1	39.1	32.6
Total Central Routine Oversight, Systems Strengthening and Capacity Development (DLI3)	0.0	11.2	16.9	18.2	63.0	62.9	56.4
GRAND TOTAL (Total LG Financing + Central Allocations)	299.1	504.4	573.2	898.0	1,279.5	1,526.7	1,610.4
Of which IDA		183.8	205.8	345.5	441.0	477.8	183.8
% IDA		36%	36%	38%	34%	31%	11%
Annual Allocation Changes (20/21 reflects changes vs 19/20 allocations including new sectors)		205.3	68.8	195.8	381.5	247.2	83.7
GRAND TOTAL (Total LG Financing + Central Allocations) - USD m	81.4	137.3	156.0	244.4	348.2	415.4	438.2
Annual Allocation Changes (20/21 reflects changes vs 19/20 allocations including new sectors)		55.9	18.7	53.3	103.8	67.3	22.8
Increase as a % of IDA		112%	33%	57%	87%	52%	46%



Table 5: Program Expenditure Framework

Total Indicative LG Allocations	Actual Budget Allocations			MTP Projections			PEF
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	GRAND
	Original UgiFT Timeframe			Add. Year			Total
Total Education	70.5	104.4	122.5	140.9	154.8	183.9	777.1
Recurrent - Education Sector Non-Wage Grant	61.7	69.5	81.1	91.2	104.7	119.3	527.5
Development - Education Sector Development Grant	8.8	35.0	41.4	49.6	50.2	64.6	249.6
Total Health	10.9	29.7	28.9	66.8	104.3	107.2	347.8
Recurrent - Health Non-Wage Grant	10.9	10.9	15.3	45.5	68.1	74.5	225.2
Development - Health Sector Development Grant	0.0	18.9	13.6	21.3	36.2	32.7	122.6
Total Rural Water				24.5	24.8	30.5	79.7
Water & Env Non-Wage Recurrent Grant				3.5	3.7	3.8	11.0
District Water Development Grant				21.0	21.1	26.7	68.7
Total Smallscale Irrigation				1.6	13.6	18.4	33.6
Development - Smallscale Irrigation				1.6	13.6	18.4	33.6
Total Grant Allocations	81.4	134.2	151.4	233.8	297.5	340.0	1,238.2
<i>Of which Recurrent - Non-Wage</i>	<i>72.5</i>	<i>80.3</i>	<i>96.4</i>	<i>140.3</i>	<i>176.4</i>	<i>197.6</i>	<i>763.7</i>
<i>Of which Development</i>	<i>8.8</i>	<i>53.9</i>	<i>55.0</i>	<i>93.5</i>	<i>121.1</i>	<i>142.3</i>	<i>474.5</i>
<i>Of which Refugee Hosting LGs</i>			11.3	15.6	19.5	22.2	57.3
<i>Of which Refugee Hosting LGs - NWR</i>			<i>8.5</i>	<i>11.0</i>	<i>13.8</i>	<i>15.4</i>	<i>40.2</i>
<i>Of which Refugee Hosting LGs - Development</i>			<i>2.8</i>	<i>4.6</i>	<i>5.7</i>	<i>6.8</i>	<i>17.1</i>
Indicative Central Level Allocations							
Routine Coordination, Oversight and Performance Improvement (DLI 4)	0.0	3.0	3.3	4.3	6.2	6.5	23.3
Strengthening Processes, Systems and Capacity for Service Delivery	0.0	0.0	1.3	0.7	10.9	10.7	23.6
Total Central Routine Oversight, Systems Strengthening and Capacity Development	0.0	3.0	4.6	5.0	17.1	17.1	46.9
GRAND TOTAL (Total Grant Allocations + Coordination Oversight, Assessment & Support)	81.4	137.2	156.0	238.7	314.6	357.1	1,285.1
<i>Of which GoU</i>	<i>81.4</i>	<i>87.2</i>	<i>100.0</i>	<i>144.7</i>	<i>194.6</i>	<i>227.1</i>	<i>795.1</i>
<i>Of which IDA</i>		<i>50.0</i>	<i>56.0</i>	<i>94.0</i>	<i>120.0</i>	<i>130.0</i>	<i>500.0</i>

65. In the short and medium term UgiFT financing will be crucial for protecting basic services during and after the COVID-19 crisis. UgiFT financing will underpin the financing local service delivery, ensuring it is maintained during the years following the fiscal downturn resulting from COVID-19.

Table 6: Projected IDA Disbursements

	Actual Disbursements		Projected Disbursements				Total
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	
Total IDA Disbursements	50.5	55.7	94.0	121.9	130.0	50.0	502.1
Original Program	50.5	55.7	70.0	25.9			202.1
Additional Financing			24.0	96.0	130.0	50.0	300.0
<i>Grant</i>			<i>3.0</i>	<i>17.0</i>	<i>22.0</i>	<i>18.0</i>	<i>60.0</i>
<i>Credit</i>			<i>21.0</i>	<i>79.0</i>	<i>108.0</i>	<i>32.0</i>	<i>240.0</i>

66. Long term sustainability of the IFTRP beyond UgiFT and the associated gains is expected to be secure for four reasons. Firstly, the GoU is committed to sustaining the improvements in adequacy and equity of transfers to sectors which is underpinned by sectoral policy commitments. With MoFPED leadership and support, the resource allocation process has been hardwired into the system. The partnership between MoFPED and sector ministries and between the center and LGs have further strengthened this commitment. Secondly, the GoU will be able to sustain these changes, as the changes are being made incrementally over time and the share of World Bank resources underpinning those increases will have reduced over time. Thirdly, performance assessment and improvement frameworks will be difficult to roll back, as they will have been fully institutionalized under the coordination of OPM and MoLG. Fourthly, the results expected from the AF are to improve significantly the service delivery, and this will create expectations in the public as well, which will be politically difficult to step back from.



E. Strengthened Implementation Arrangements

67. **The UgIFT AF Program will be substantially more complex to manage given its broadened and deepened scope.** This represents a significant challenge, however with appropriate bolstering of the implementation arrangements, this challenge can be met, and the cross sectoral and sectoral benefits will be large. This will involve building on what has worked, including the strong leadership of the MoFPED, and addressing weaknesses that have been identified during implementation.

68. **There are two critical dimensions to coordination of the broader and deeper agenda of the Program – cross sectoral and sectoral:**

- **The oversight, steering and technical committees, performance assessment and improvement task forces and the National Resource Pool are all functioning well in providing cross sectoral coordination and oversight and will continue with expanded participation to reflect the broadened scope.** This will involve participation from sector ministries - MWE, MAAIF. It will also include MoPS, given the increased focus on crosscutting and sectoral human resources issues. The OPM will be involved in their capacity for coordinating the refugee response in addition to M&E. To strengthen oversight of construction of service delivery infrastructure, MoWT and Public Procurement and Disposal of Public Assets Authority (PPDA) will be included, as will MoGLSD and NEMA. The Inspectorate of Government will also be coopted into the membership. To support these expanded coordination structures, a five-person coordination team has been established in the Fiscal Decentralization Unit of MoFPED.
- **At the sectoral level, greater coordination will require the establishment or strengthened existing coordination structures and addressing capacity gaps.** Coordination structures will depend on the sector but will involve responsible line departments within sector ministries as well as planning departments and OPM for refugee elements. In addition, each sector will review its capacity to undertake their functions in supporting service delivery, and specific actions will be taken to address capacity gaps. These represent key actions in the Service Delivery Improvement Matrix for each sector.

69. **Several UgIFT institutions are represented on the national COVID-19 task force, and district level task forces also involve key UgIFT stakeholders at that level.** This will help ensure coordination at different levels between those actively engaged in managing the COVID response, and UgIFT supported reforms. This combined with the flexibility of the UgIFT approach, should ensure that UgIFT is aligned to and supports the response and recovery.

70. **The greater emphasis on central level oversight and processes and systems strengthening means that management and monitoring tools needed to be put in place to ensure these activities are well coordinated.** There are two elements to these activities a) routine oversight, technical support, performance assessment and targeted performance improvement and b) process and systems strengthening. To manage these two dimensions two tools will be introduced:

- **A calendar of routine oversight, monitoring and technical support activities,** which will be developed by each sector and cross sectoral agencies, and help agencies ensure they are on track in the implementation of routine activities; and
- **The Service Delivery Improvement Matrix** will be a key tool for monitoring action to strengthen processes, systems and capacity. Implementing institutions will report quarterly on progress in implementing activities.

71. **MDAs will report quarterly against both adherence to their calendars' implementation of actions in the matrix to their own coordination mechanisms and the IFTRP technical and steering committees.** This will enable stakeholders to review each other progress and help senior managers understand where progress is being made and challenges are emerging.



72. **An important lesson from the original Program is that central activities need to be adequately funded and effective management procedures for those funds need to be put in place.** Under the UgIFT AF the following provisions have been made:

- The MTP involves significant increases in allocations to routine oversight and process and systems strengthening, which will increase from US\$4.6 million in 2019/20 to US\$5.9 million in 2020/21 increasing to US\$13 million by 2022/23 – enabling systems and process strengthening to take place alongside routine oversight.
- The Reform Coordination Unit (RCU) in MoFPED, which has an established dedicated team to support work-planning, financial management, procurement and reporting, will support the management of central government funding. The majority of resources earmarked for (i) routine oversight, technical support, performance assessment and targeted performance improvement and (ii) process and systems strengthening will be budgeted for under the Resource Enhancement and Accountability Program (REAP), which is managed by the RCU in the MoFPED. The UgIFT Component of REAP will be led by the Budget Directorate, MoFPED, and each of the implementing institutions will identify a lead senior officer as the focal point to drive implementation at MDA level.
- As part of the arrangements for both windows of funding (i) a quarterly system of work-planning and quarterly reporting will be put in place linked to the events calendar and service delivery matrix and (ii) critical policy and systems strengthening activities will be identified in the POM, and TORs will be required to be cleared by the Technical Committee and the World Bank. Funding for routine activities will be transferred from the RCU directly to MDAs on a half yearly basis. Funding for process and systems strengthening will be activity based and managed directly by the RCU.

73. Further Procedures for the institutional arrangements and management central funds under the RCU will be elaborated in the POM.

IV. APPRAISAL SUMMARY

A. Technical

Technical Soundness

74. **The Program is ambitious but technically sound.** Its original design is built on development concepts as laid out in the World Development Report (WDR) 2009; and on Uganda-specific situational analysis as presented in World Bank analytical work for original UgIFT¹². The assessment of the technical soundness of the proposed UgIFT AF is primarily based on practical experiences and lessons from the parent UgIFT implementation FY2017/18-2019/20. This is particularly with regards to the need for further institutional strengthening for maximizing the benefits of improved fund adequacy through: (i) rolling out the performance assessment system to facility and sub-county levels; (ii) strengthening the technical support and capacity functions performed by central government; (iii) more balanced inputs of capital, wage (not addressed in original UgIFT) non-wage recurrent (including e.g. medical supplies) as well a formula based development grant allocation on top of the GoU priorities introduced during first year of UgIFT for the construction of secondary schools in sub-counties where these do not exist and upgrading existing HCIIIs to HC III.

75. **The combined UgIFT support to IFTRP provides a clear intervention logic, which will contribute towards strengthening service delivery performance and ultimately outcomes.** The revised DLI structure, with added

¹² Public Expenditure Review (PER) 2013—“Service Delivery with More Districts in Uganda: Fiscal Challenges and Opportunities for Reforms” developed a set of institutional and fiscal policy recommendations for the reforms of fiscal decentralization framework; Uganda Programmatic PER -June 2016; Consolidation of Intergovernmental Fiscal Transfers in Uganda - Advisory Services Document, May 2015; Reform of Intergovernmental Fiscal Transfers in Uganda - Advisory Services Document, June 2016; World Bank Group CPF for Uganda for 2016-2021; Fiscal Decentralization in Uganda, Strategy Paper, March 2002.



emphasis on improving central government oversight and support and facility/service delivery performance incentives, is based on implementation experiences from initial years of UgIFT. The new program logic is providing a more comprehensive and logically interlinked chain of results.

76. **The technical approach for improvement of LG grants fiscal adequacy is technically sound and builds on a positive track record under UGIFT and the IFTRP.** The initial design of UgIFT sought to address adequacy issues through an approach based mainly on raising core elements of fiscal transfers (the non-wage recurrent and development component for education and health) towards their historical per capita peak values. Late 2017, the GoU completed analytical work commissioned by LGFC regarding the Fiscal Decentralization Architecture that explored further methodological approaches based on (i) service delivery norms; (ii) more detailed analyses of historical values of fiscal transfers with considerations of changes in expenditure assignments; and (iii) assessment of value of central government budget allocations to local service delivery within central government budget votes. The report concluded that existing service delivery norms were too broadly defined and unaffordable. The report made recommendations for interim MTEF allocations while encouraging sectors to establish realistic medium-term minimum service delivery norms. Sectors have subsequently worked on establishing such minimum norms initially for staffing which forms the basis for proposed UgIFT AF support.

77. **The original formula-based approach to address equity under UgIFT has not been possible to apply for all elements of the fiscal transfers, as the majority of development funds were allocated to meet the GoU objectives of one health center III and one secondary school per subcounty.** The latter is an alternative but politically legitimate approach to pursuing equity in resource allocations. Under UgIFT AF, additional funds will be allocated for formula-based development grant allocations to the education and health sector, just as the formula-based grant allocation of non-wage recurrent expenditure (NWR) will continue. The various formulae are broadly technically sound. An important equity issue not explicitly pursued under the original phase of the program relates to the sizable inequities in staff allocation across LGs and facilities. Under UgIFT AF, this will be addressed in a comprehensive manner. In summary, the overall approach for addressing equity issues is politically more realistic and more comprehensive than that in the original UgIFT.

78. **Critical underlying assumptions of the program design relate to the ability of program interventions to incentivize performance across all levels of public sector and service delivery systems.** The technical approach to performance incentives as reflected in the new DLI structure is overall technically sound and based on the previous years of implementation experiences and international lessons. The introduction of facility level performance assessment systems will be gradual and be based on initial phases of piloting and rigorous evaluations.

Governance Structure and Institutional Assessment

79. **The implementation of the program will use and expand the existing GoU structures as tested during the initial years of UgIFT.** The oversight, steering and technical committees are functioning well under the leadership of the MoFPED and will continue with expanded participation to reflect the broadened scope and focus on crosscutting bottlenecks to delivery. The expanded scope of UgIFT provides a greater emphasis on central level oversight and processes and systems strengthening and mechanisms. The proposed use of the Reform Coordination Unit in MoFPED is appropriate. A distinction should be made between the two types of central activity – routine oversight, and process and systems strengthening.

80. **The preliminary institutional capacity assessment established that, generally, the implementing MDAs have the required basic organizational and staff structures to undertake their envisaged functions under UgIFT.** However, key staff are often overstretched in peak work period. The current POM foresaw three TA of which only one to date has been recruited for MoFPED while the shared TA for education/health and MoLG/OPM currently is under recruitment. This in combination with the new DLI structure that incentivizes central government oversight and processes and systems strengthening will help to improve central government capacity and coordination.



81. **Nevertheless, some additional areas of concern include several elements.** First, UgIFT has to date benefited substantially from technical assistance to MoFPED and across sectors, primarily financed by the UK Department for International Development (DfID). The future of this TA is uncertain. Second, although engagement has broadened, some aspects of central government engagement relies on a few committed and high performing staff. There may be inadequate incentives for those staff to remain engaged. Third, social and environmental safeguards have been identified as areas of weaknesses in local investment planning and two additional TA [are being/have been recruited]. While this may contribute to strengthening of capacities, existing capacities at LG levels are very low and central government capacities for high quality outreach are quite limited. Further concerted efforts for development of simplified tools and extensive dissemination is required. Fourth, some outreach activities, such as the MoLG coordinated LG PIP support and Joint Monitoring Exercises are, in comparison with routine MDA activities, very time consuming and intense (also beyond fieldwork). It is therefore proposed to use of short-term consultancy teams to augment field teams and subsequent reporting and documentation.

82. **Finally, overall program communications and some elements of M&E require further strengthening.** This includes more substantive annual documentation and dissemination of key results and lessons. Recent simplified communication of key results has proved very useful and should be strengthened and sustained.

Economic Assessment

83. **The economic analysis identified and measured the net economic benefits of the project, and its economic viability.** Specifically, the cost-benefit analysis (CBA) calculates the net present value derived from the anticipated actions stemming from the policy improvements incentivized by the DLIs. These include equity and adequacy improvements outlined in the first two DLIs, which underpin the MTP and efficiency considerations, supported by DLIs 4, 5 and 6, and service delivery systems and processes which are directly addressed under DLI 3. The CBA quantifies some, but by no means all, of the benefits anticipated as a result of this project.

84. **The CBA parameters can be summarized as follows:** in line with GoU’s precedent (and in accordance with World Bank practice of applying a discount rate of between 10 and 12 percent), a discount rate of 11 percent has been applied. The date of commencement is July 1, 2020. The loan component of the financing reflects IDA19 terms. A highly conservative methodology was applied to all interventions, and intervention in each sector has a positive Net Present Value (NPV).

Table 7: Comparator Benefit: Cost Ratios for Related Projects

Sector, Development partner and project	Measure of return
Education, GoU, 2019, <i>UgIFT</i>	Assessing the education intervention component only, B:C ratio on the entire costs of the UgIFT Program was 1.7 using a highly conservative methodology.
Education, DfID, 2016, <i>SESL</i>	B:C ratio is 12.2:1, 10 percent discount rate. IRR was estimated at 40 percent - 705 percent
Health, World Bank, 2016, <i>URMCHIP</i>	B:C ratio of 19.6:1.
Small scale irrigation, World Bank, 2018, Rwanda, <i>Sustainable Agricultural Intensification and Food Security Project</i>	B:C ratio 1.82 overall.
Governance and capital investment, World Bank, 2020, Malawi, <i>GESD</i>	B:C ratio of 1.24 overall using a conservative methodology.

85. **The CBA for the central scenario is based on rates of returns provided in academic literature, and costs as specified under the MTP, including farmers’ investments as a result of the irrigation subsidy.** Specifically, the CBA has reviewed the literature on rates of return and applied relevant guideline rates based on Ugandan and East African project evaluations relating to the major areas of intervention. The CBA then calculates the benefits and costs of likely distributions of spending; costs induced by the program include construction and maintenance



of infrastructure, higher nominal non-wage recurrent levels, and induced staffing increases to those furthest-behind LGs. In addition, substantial farmers' investments to prepare for and maintain enhanced farms as a result of the irrigation subsidy, are also costed.

86. **In addition to quantifiable parameters elaborated in Annex 2, the CBA outlines also non-quantifiable elements that are likely to have a substantial positive impact.** An important part of the UgIFT AF is the emphasis on the institutional strengthening at the central and facility level. It is likely that some of the main benefits under the current analysis will profit significantly from non-quantifiable elements. For example, spillover effects of LG performance assessments (LGPA) are likely go beyond quantified improvements. The LGPA is intended to incentivise better LG performance, which should result in better performance management, but quantifications of this effect could not be identified in the literature on LG fiscal multipliers. Furthermore, welfare gains from increased equity are not quantified; nor is the full impact of additional staffing in the furthest-behind LGs as robust linkages, between additional staffing and service delivery outcomes are hard to estimate for affected sectors. Finally, an additional set of non-quantifiable benefits is presented in Annex 2.

87. **A sensitivity analysis was undertaken to assess the consequences regarding the NPV and other measures of the project to various project interventions not being carried out.** For instance, if key actions are not taken in line with the proposed DLIs, or various choices within the investment menu that might be taken by LGs, which affect the total estimated return. In this context, component underperformance or delay would have a minor effect on the program. One risk is a reduction in productive capital expenditure at central government level in response to increased LG capital expenditure; however, this was not observed in preceding years, as decisions on capital budgets do not seem to be taken jointly across LGs and MDAs. Furthermore, there is a risk that some LGs do not qualify for initial financing, for example for the irrigation component. However, absorption of the resource elsewhere is unlikely to be an issue as resources can be re-allocated the next year or to other LGs. Furthermore, costs fall proportionately to a fall in benefits for micro irrigation, as most costs are paid by farmers during the ongoing operation of their farms. Finally, some LGs may not invest using the guidelines for their capital investments. This, however, is unlikely to negate the positive value of the project, as so many of the benefits are based on augmentation to Non-Wage Recurrent funded interventions.

88. **Overall, the project's benefit-cost ratio is estimated at 1.73, which compares favorably to other, similar projects (Table 6) and is calculated on a conservative basis.** The NPV totals US\$1,095 million, which results from discounted costs of US\$1,491 million at a discount rate of 11 percent, and benefits amounting to US\$2,587 million. The largest benefits stem from health (US\$909 million), followed by micro irrigation (US\$833 million) and education (US\$726 million), while the smallest benefit is calculated in water and environment (US\$114 million) and quantifiable spillovers from improved oversight mechanisms to other sectors (US\$6 million).

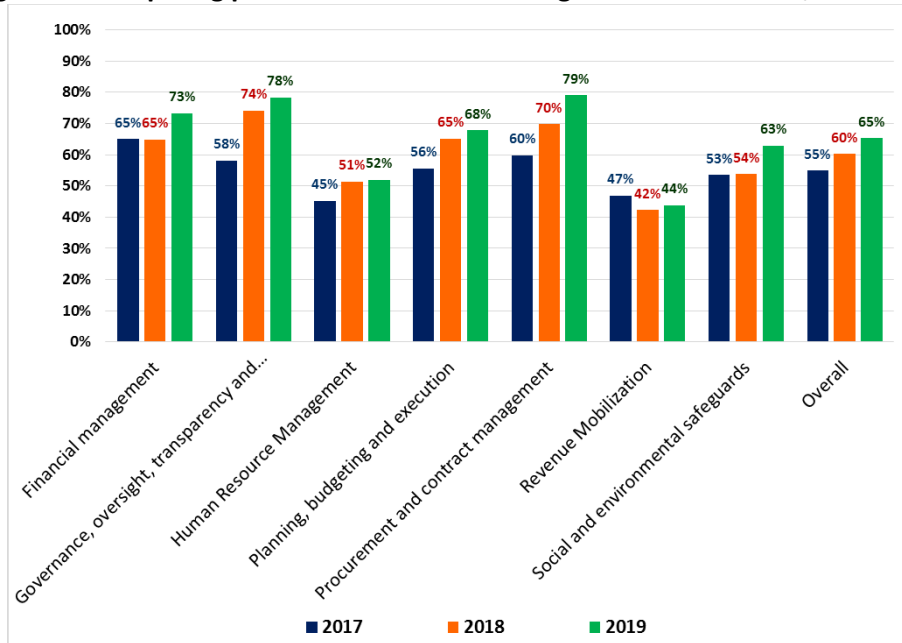
B. Fiduciary

89. As part of the UgIFT program preparation, an integrated fiduciary systems assessment (IFSA) was carried out that evaluated the Program fiduciary systems to determine whether they provide reasonable assurance that the Program expenditures will be used appropriately to achieve their intended purpose.

90. **As noted earlier, in addition to the adequacy and equity of grant allocations being addressed, budget releases importantly have largely been made in full and on time.** Funds releases are made quarterly with specific timelines and since all LGs have access to IFMS and are on the Treasury Single Account, funds flow was found to be generally timely including funds directly transferred to service delivery units per treasury instructions. This predictability is a key enabler to sound fiduciary performance at the local level.



Figure 5: Comparing performance in crosscutting measures for 2017, 2018 and 2019



91. Overall, based on the results of the LGPA¹³, the Program has registered improvements in financial management and procurement. All the LGs assessed continue to improve with an overall average score of the crosscutting performance assessment of 65 percent in 2019, up from 60 percent in 2018 and 55 percent in 2017.

- The greatest improvement was in Procurement and Contract Management, with an average score of 79 percent, up from 70 percent in 2018 and 60 percent in 2017. This is attributed to the application of UgIFT procurement guidelines issued by PPDA in August 2018 as part of the sectors’ program implementation manuals. The Guidelines lay out the roles of the LGs and MOES/MOH in the procurement cycle and were issued by MoES and MoH to LGs to address the risks of lack of skills in the preparation of solicitation documents for works, evaluation of bids and proposals and most LGs lacking capacity to supervise civil works. Staffing in the procurement units was adequate in only 58 percent of LGs.
- Notable improvement was also registered in Governance, oversight, transparency and accountability, where the average score of 78 percent was registered, up from 74 percent in 2018 and 58 percent in 2017. Council and sectoral committees are active, and LGs perform well in terms discussing service delivery issues. LGs are relatively transparent, with the vast majority publishing payrolls and procurement information. Whilst the situation is improving, only 63 percent of LGs have systems for recording grievance redress in 2019. The vast majority, 89 percent, have designated focal points to handle complaints.
- There have also been improvements registered in the areas of planning, budgeting and execution (from 56 percent to 68 percent) and of financial management and reporting (from 65 percent to 73 percent). With IFMS and PBS in place and functional, financial and budget reports at LG level are automated, and there have been improvements in the number of LGs submitting budgets, workplans and performance reports on time. Over three quarters of LGs make timely payments to suppliers. Whilst internal audit capacity appears adequate, there is weak follow up on audit findings by the LGPAC. Over half of LGs received an unqualified audit opinion for 2018/19 and no local government has received an adverse or disclaimer audit opinion over the Program period. There has been little progress registered in revenue mobilization with an average score of 44 percent in 2019, indicating a marginal increase from 42 percent in 2018 compared to 47 percent in 2017.

¹³ The Government under office of the Prime Minister conducts an annual performance assessment for assessing the performance of LGs to establish adherence to budgeting and accountability requirements as well as compliance to crosscutting, sector systems and processes. Reports can be found at <https://budget.go.ug/library/543>



92. **Beyond the successful implementation on the annual performance assessment and associated financial incentives, progress on fiduciary elements under the Program Action Plan (PAP) has been more mixed.** Poorly performing LGs were supported to implement performance improvements plans in the first year which showed potential in improving performance in 2018, however these were not prepared in the second year of the program, and COVID-19 has disrupted their preparation in 2020. Despite guidelines being strengthened to address fiduciary issues, their adequate dissemination was delayed until 2020, undermining their effectiveness. LGs' dissemination of guidelines to schools and health facilities has, to date, been inadequate, and planned dissemination in 2020 has also been disrupted by the pandemic. A proposed thematic performance improvement plan that was to address contract management and social and environmental capacity risks was delayed until 2020. It is now being implemented, and subsequent joint monitoring visits and follow up actions are showing potential to yield results in improving contract management at the local level.

93. **The IFSA identifies continued fiduciary risks and mitigation measures, and these have been integrated into the revised PAP.** For example, there is further need to update and adequately disseminate manuals and procedures relating to transfers, procurement and financial management to cater for technical and fiduciary risks. This will be a key requirement given the expanded scope of the program. There is need for further focus on staffing and capacity development of LGs to implement the related updated guidelines. The performance assessment will be sharpened and include minimum conditions for accessing the performance component of development grants – including LGs. Further, the IFSA identified a selection of issues, implementation challenges and risks and their potential impact on the ability of the program to achieve its development objective given the increased scope. Annex 3 presents the risks and proposes mitigation measures that will be addressed both through the performance action plans and in the program action plan. ***Despite evident progress, the overall integrated fiduciary risk rating remains substantial.***

C. Environment and Social

94. **The Environmental and Social Systems Assessment¹⁴ (ESSA) update screened the proposed program activities for likely Environmental and Social effects and associated risks; analyzed the borrower's system as written and the system performance; made comparison with the core principles to determine any gaps and in turn informed the acceptability analysis.** The ESSA identified strengths, gaps, opportunities and risks in Uganda's environmental and social management system with respect to effectively addressing the environmental and social risks associated with the Program. Whereas the national system is generally acceptable in terms of having institutions with well-enough defined mandates and adequate enabling legislation, the weaknesses in the system performance is recognized by all stakeholders. The symptoms of inadequate prioritization of environmental and social aspects in the development arena are under-resourced institutions, noncompliance legislative provisions and the unsatisfactory safeguards performance in the current UgIFT program.

95. **It is important to note that UgIFT AF is expected to have several environmental and social benefits** most of which are already mentioned in the original UgIFT ESSA. Under AF, the program is expected to address climate change risks associated with each of the sectors through the introduction of appropriate adaptation and mitigation measures across the infrastructural investments as interventions towards institutional strengthening. Irrigation will among others help smallholder farmers to have increased crop yields, increased water-use efficiency, decreased tillage requirement, higher quality products and higher fertilizer-use efficiency. The health sector will be supported to improve on the management of health care waste in the respective HCIIIs and IVs. There will be several social benefits to the LGs and communities in sub counties within which new schools are constructed this is likely to include an increase in the enrollment of children to school, who will have opportunity to access to education. Improved access to clean water will enhance the hygiene and sanitation conditions of communities and hence improved productivity and wellbeing while at the same time minimizing misuse or contamination of the surface water sources.

¹⁴ Disclosed on May 14, 2015 via <https://projects.worldbank.org/en/projects-operations/document-detail/P172868>



96. **Investments supported under the UgIFT AF, including those supported in the new sectors, typically have modest social and environmental impacts that can readily be mitigated** through adherence to established procedures for screening, contracting, and supervision during implementation.

- Key **environmental risks and impacts** identified include: Poor solid waste management, health care waste from some health centers are openly burned or end up in municipal waste; high demands for biomass energy for use in schools, potential encroachment on wetlands and other conservation areas, lack of landscaping and restoration of sites of extraction of marram and sands used for construction. Other challenges that may be arise from investments in rural water and small irrigation may include competing demand for water, pollution of water, increased use of agrochemicals leading generation of agrochemical waste containers and health and safety of workers and communities particularly due to increased traffic, among others.
- Common **Social risks and impacts** identified were Land acquisition and resettlement related risks and impacts; Violence Against Children (VAC) including child labor, defilement, teenage pregnancies and child abandonment; Gender-Based Violence (GBV) and domestic violence,(more prevalent in the refugee hosting and post conflict Districts); contraction and spread of STD/STIs including HIV/AIDS due to labor influx; poor workers' management including underpayment, non-payment, delayed payment of workers and lack of documentation (contracts/appointment letters/daily duty roster sign in and out of casual labor) for employment; gender related risks i.e. inconsideration of working mothers' interests and needs such as sanitation and provision of shelters for protecting, and facilities for breast feeding their babies.

97. **The inclusion of Environmental and Social Performance in the LGPA has yielded some improvements in addressing these risks to date, albeit from a low base, and there has been significant action by central government to address risks following the unsatisfactory rating.** Local governments have improved in screening of projects across LGs and within the education sector, for example and have made progress in mainstreaming gender and social issues. However, there remain significant gaps in staffing capacity and in compliance with the monitoring of the implementation of safeguards requirements. For example, in only 30 percent of LGs do social and environmental staff clear payment certificates and LGs. In 2020, following the unsatisfactory safeguards rating, the thematic performance improvement plan covered environmental and social safeguards issues, guidelines were properly disseminated, and joint monitoring of construction has been instituted. Two experts are being [have been] recruited to the UgIFT coordination team. Genuine momentum in addressing safeguards issues has been built.

98. **The ESSA identifies mitigation measures which will build on this recent momentum to address risks and these measures have been integrated into the program design and revised PAP.** A credible strategy and set of actions that will address these risks is elaborated Annex 4 which the GoU is capable of implementing and addresses the shortcomings of the original Program. Several of these have been identified as to be completed by effectiveness to ensure recently established momentum is maintained prior. ***Despite the modest impacts, registered improvements and recent momentum, the E&S risks are rated as substantial due to the unsatisfactory rating of E&S performance of the Parent Program.***

D. Corporate requirements

Gender

99. **The Systematic Country Diagnostic for Uganda (SCD, December 2015) and CPF 2016 identified gender inequality and women discrimination in access to education, economic opportunities and ownership of assets to be prevalent in Uganda.** The SCD notes that the Ugandan women, 25 years and above, have on average 3.8 years of schooling compared to the rest of the population, which has an average of 4.7 years of schooling¹⁵. About

15 SCD 2015.



68 percent of children are dropping out of school to help at home or join other economic activities, and the percent of girls in total enrollment remained only at 47 percent in secondary education, and 44 percent in tertiary education¹⁶. Both communicable and non-communicable disease and high fertility rates exert high costs on women with serious impacts on their health. In addition, there is a high incidence of sexual and gender-based violence¹⁷. Similarly, unbalanced power relations between men and women impact negatively women's access to social services and economic opportunities, and their ability to make decisions over their own lives. Specifically, female heads of households earn 28 percent less than their male counterparts, and although 70 percent of women are engaged in agriculture, less than 20 percent control the outputs and proceeds from their efforts.

100. The AF will strengthen incentives for LGs to address gender disparities and promote women's education and economic opportunities through the LG performance assessment. This will involve:

- a. **At the level of Service Delivery (DLI 6).** As part of the original UgIFT, facility level guidelines are in place and these will be further strengthened. These guidelines incorporate incentives to address social risks and address gender disparities between men and women. This will include, for example, measures such as the gender composition of Health Unit Management Committee and School Management Committees and Water and Sanitation Committee composition; and gender and special needs sensitive sanitation facilities in schools and health facilities. RBF in health will incentivize reproductive and maternal health services, and preventative health services which will have greatest benefits for women and children.
- b. **At the level of the LG management of service delivery (DLI 5).** The annual LGPA, which covers cross-cutting, education, health, water and environment issues, includes gender-informed performance measures such as compliance with gender composition of management committees and promotion of gender sensitive services¹⁸ at LG level. These performance measures will be further sharpened to address more specific crosscutting and sectoral gender issues. As part of environment and social safeguards at the LG level, construction guidelines were strengthened to include the need for sensitization of workers and other related measures to address issues of GBV, VAC and influx of labor related issues – and these will be further updated to provide robust incentives to contractors to adhere to safeguards requirements and regularly monitored on its implementation.
- c. **At the national government level (DLIs 3 and 4)** Gender and other social issues are a critical part of the central government monitoring, oversight, management and technical support to the LGs for delivering effective services at LG and facility level. This will include line ministries ensuring continued proportion of maternal and child health in the context of Primary Health Care including the oversight of RBF, personnel deployment at primary and secondary schools, and promotion of women farmers in the context of irrigation. In addition, the central government will manage social risks and provide oversight to LGs through revised standard bidding documents that include social and environment impact clauses.

101. Gender-informed performance is integrated within PDO and intermediate results indicators, under results area 4, Improvement in Delivery of Services by LGs¹⁹. Gender related and gender disaggregated data at LG level will be collected as part of the performance assessment process and M&E systems, and gender-based activities will be incorporated under RBF and in the context of gender-specific performance in schools.

¹⁶ SCD 2015.

¹⁷ CPF 2016.

¹⁸ "Compliance with gender composition of Health Unit Management Committee and promotion of gender sensitive sanitation in health facilities" "The district Water department has promoted gender equity in Water and Sanitation Committee composition" and "Gender and special needs sensitive sanitation facilities in public places/RGCs provided by the water department"

¹⁹ PDO indicators under results area 4 relating to service delivery performance and IR Indicators 4.2, 4.3, 4.6, 4.9, 4.11, 4.18 all integrate gender related performance.



Climate change

102. **Vulnerability Context.** Uganda is among the world's most vulnerable and simultaneously least adapted countries to climate change. Uganda is exposed to a variety of natural hazards (droughts, flooding, landslides, heat waves). Poverty, land degradation, rapid and unplanned urbanization since the 1960s, weak enforcement of building codes and zoning regulations, and a lack of coordinated disaster response strategies are primary drivers of vulnerability. Poor and vulnerable groups are most likely to be impacted through damages to their assets, livelihoods and their food security.

103. **The rainy season, traditionally lasting eight to nine months during a year, has become shorter, averaging six to seven months a year since 2010.** In addition, there are considerable variations in the timing of the onset of the rainy season, distribution of rainfall, and duration of the dry season. In parallel, average temperatures have increased by 1.3°C since 1960, and they could rise by up to 2.5°C by 2050, and in March 2016.²⁰ the country experienced the highest average monthly temperature in its history of 33.8°C. The combination of high vulnerability to climate change (14th most vulnerable country) and low readiness to improve resilience (48th least ready country)²¹ has resulted in Uganda being ranked 166th out of 188 countries on the Notre Dame Global Adaptation Initiative (ND-GAIN) index in 2020. The country is also exposed to extreme weather events, such as floods and droughts. Flooding, particularly in low-lying areas of the country, presents the largest risk. Each year, floods impact nearly 50,000 people and cause over US\$62 million in damages. Droughts affected close to 2.4 million people between 2004 and 2013, and drought conditions in 2010 and 2011 caused an estimated loss and damage in the amount of US\$1.2 billion, equivalent to 7.5 percent of Uganda's 2010 GDP. Environmental degradation, underdeveloped irrigation systems, and near-absence of disaster preparedness at the community level are contributing factors to increasing drought risk.

104. **If no adaptive action is taken, annual costs of the adverse impact of climate change are estimated in the range of US\$273 - 437 billion over the 40-year period (2010-2050),** with the biggest impacts being on water, followed by energy, agriculture, and infrastructure. The vulnerability to climate change and the damage it causes affects the education, health, irrigation and water and environment sectors, which are part of this Program.

105. **Program climate and disaster risk screening.** The Additional Financing Program supports all LGs in Uganda and covers all the geographic areas in the country. The team has completed Climate and Disaster Risk Screening by using National Policy Projects Assessment, which assessed the short and long-term climate impact and disaster risks associated with education, health, water and environment, and micro irrigation. The team has analyzed institutional readiness and has been discussing with the GoU how the AF Program can help GoU improve the adaptive and mitigation capacity, both at the central and LG level.

106. **Climate co-benefits.** The AF Program will address climate change risks and will introduce appropriate adaptation and mitigation measures across the infrastructure investments and interventions towards institutional strengthening as follows:

²⁰ The Uganda's National Adaptation Programme of Action (NAPA) cites an average temperature increase of 0.28 °C per decade in the country between 1960 and 2010, being January and February the most affected by this warming trend, averaging an increase of 0.37 °C per decade. The frequency of hot days has increased significantly, while the frequency of cold days has decreased (McSweeney C; New M; Lizcano G. 2010. UNDP Climate Change Country Profiles: Uganda. Available at: <http://bit.ly/2fsJ3Lc>). The MWE assessment from 2015 on Uganda's INDC indicates the possibility of an increase in the country's near-surface temperature in the order of +2 °C in the next 50 years, and +2.5 °C in the next 80 years using RCP 4.5, whereas for RCP 8.5 the projected temperature increases are in the order of +2.5 °C in the next 50 years, and +4.5 °C in the next 80 years.

²¹ The ND-GAIN Country Index (2020) summarizes a country's vulnerability to climate change and other global challenges in combination with its readiness to improve resilience. It aims to help governments, businesses and communities better prioritize investments for a more efficient response to the immediate global challenges ahead. Free and open source, the Country Index uses 20 years of data to rank 180 countries annually (<https://environmentalchange.nd.edu/resources/nd-gain/>).



- a. **Micro Irrigation.** In terms of adaptation measures, the Program will support farmers capacity to cope with climate risks by providing access to irrigation. This will reduce farmers vulnerability to floods and droughts, which are currently perceived by smallholder farmers as the main risk to agriculture output.²² Nucleolus farms and farmer field schools supported by the Program will promote a successful approach to irrigated agriculture. In terms of mitigation measures, the matching grant will fund the acquisition of pro-climate irrigation equipment by prioritizing the use of solar pumps. Furthermore, among the farmer eligibility requirements is the proximity to the water source (less than 500 meters), which will lower energy requirements needed to irrigate. In addition, improved access to irrigation can enhance the existing fields' ability to sequester carbon (in both biomass and soil), which has mitigation Co-Benefits potential.
- b. **Water and Environment.** In terms of mitigation measures, the Program will provide finances to technological change with efficient pumping from boreholes and development of small networks that will increase efficiency in water production. It will also help reduce resource inputs and emissions per unit of water produced, inter alia promoting solar pumping, where possible. Districts and Municipalities will promote environmental management functions focusing on the implementation of public investments, including water resources management and actions against deforestation to reduce carbon emissions and enhance carbon sinks (marshlands and water sources). In terms of adaptation measures, the Program will increase water security to population by providing access to clean and secure water sources. It is expected that with the Program interventions, about 1 million of rural Ugandans will get access to safe water supply. For the environment functions, NEMA will be also involved in enhancing LG oversight with proper monitoring and supervision. Altogether this will add to overall climate change adaptation at the country level. The capacity of LGs will be built to undertake climate-resilient infrastructure investments, implement climate change adaptation and mitigation measures.
- c. **Health.** The main investment with significant climate change mitigation and adaptation significance is infrastructure. In terms of mitigation measures, based on key principles for energy efficiency adopted by MoH as part of the ongoing upgrade of HCIIIs to HCIIIIs, the MoH is expected to design health infrastructure that incorporates energy efficiency measures such as use of renewable energy, energy efficient technologies and building designs and materials. In terms of adaptation measures, the design of the buildings will construct climate resilient health infrastructure in areas prone to landslides and flood waters and provide water during prolonged dry spells. The MoH has adopted the practices in the construction of especially HCIII's such as use of durable building materials, appropriate foundation concrete strength according to the risk levels of soil type; use of large roof to facilitate harvesting of water; and determining location of health facilities that has sustainable underground water sources. In addition, the climate change adaptation guidelines for LGs should incorporate criteria on location of new facilities in physically accessible and safe area particularly emergency prone regions.
- d. **Education.** In terms of mitigation measures, the Program will include the planting of trees which will also lead to a greater carbon dioxide absorption and combatting deforestation activities. Standards will be revised to ensure education facilities are substantially more energy efficient. In terms of adaptation measures, the Program will (i) help address education facilities' exposure to climate change-induced natural disasters by selecting school sites that are in areas that are climate change and natural disaster resilient; (ii) incorporate energy efficiency and climate-resilient design measures in infrastructure, such as rain water harvesting systems and solar energy technology; (iii) adopt sustainable school infrastructure and the use of climate friendly technologies. School and LG performance assessments will promote climate mitigation and adaptation behaviour.

107. The capacity of LGs will be built to undertake climate-resilient infrastructure investments, implement climate change adaptation and mitigation measures. Climate mitigation and adaptation measures will be included

²² National Survey and Segmentation of Smallholder Households in Uganda, CGAP, 2016



in the sector and cross sectoral Public Investment Management Guidelines. The performance assessment framework will incentivize LG performance in the implementation of both mitigation and adaptation measures regard (DLIs 4,5). In addition, actions will be identified, which address climate change issues in the service delivery improvement matrix (DLI 3), and these will include clarifying the core natural resource management functions of LGs. Furthermore, natural resource and environment grants will be increased to assist in the delivery of these functions (DLI 1).

108. The details on how the Program will encourage climate-resilient infrastructure at LGs and facility level and address other climate adaptation and mitigation measures both at Central and LGs is elaborated in Annex 4.

V. KEY RISKS

109. **The overall risks for the AF Program continue to be rated as substantial.** This is consistent with the overall Program risk at the of approval of the original UglIFT Program as well as the last Implementation Status and Report (ISR) ratings. The risk rating for the original operation and the AF are presented in Annex 1.

110. **The COVID-19 pandemic affects risks to the program in several ways, whilst increasing its relevance.** If the pandemic accelerates in Uganda, COVID-19 is likely to put strain on local health systems. COVID-19 also poses significant risks for refugee communities and their hosts. Schools may also remain closed for a lengthy period, as may travel restrictions and social distancing measures. Health facilities will have to adjust how they deliver services. This makes capacity and systems strengthening simultaneously more important and more challenging. It is important that UglIFT implementation arrangements remain flexible, so they can adapt rather than be derailed by COVID-19 related constraints. This may include innovative and technology-based modalities for remote dissemination, training and monitoring.

111. **Substantial risks remain at the level of sector strategies and policies, technical design of the program, institutional capacity, fiduciary, and social risks,** as highlighted in the appraisal summary:

- a. **Sector strategies.** The IFTRP is well established and the policy framework in health, education and water are relatively clear and stable. The agreed strategies of mainstreaming and/or introduction of agreed sectoral incentives frameworks, such as results-based financing for health and school incentives in education, may prove challenging in practice to implement. The irrigation policy framework is relatively new, with the joint signature in 2018 National Irrigation Policy by MWE and MAAIF represents a solid base for the development of the irrigation sector in the country. However, the implementation details of the Policy remain to be defined. Roles and responsibilities of the different actors involved in irrigation development are oftentimes confused, and interface blurred. The ongoing preparation of Irrigation Masterplan by MWE and MAAIF, expected to be completed before the end of 2020, will mitigate this risk. There is some uncertainty regarding the outlook for ongoing decentralization with the continued creation of higher and lower LGs and the impact on capacity.
- b. **Technical design of the Program.** Whilst the technical design is sound, major technical risks exist in relation to the complexity associated with the expansion of scope of the Program through additional sectors in water and sanitation and micro irrigation and including refugees and their hosting communities. In addition, there are new areas for reforms related to strengthening local service delivery in addition to the existing push for further improving adequacy and equity of fiscal transfers and fiscal management. A key problem in the original design was the slow dissemination of strengthened guidelines and associated processes and systems, and a key risk is that that dissemination remains inadequate. A further risk will be the ability of central stakeholders to maintain the quality of reforms, incentives and associated systems and capacity development as the scope is deepened and broadened. These technical risks will primarily be addressed through strengthening the routine central



coordination and oversight of service delivery (DLI 4) and the implementation of actions to strengthen service delivery (DLI 3) and associated interventions.

- c. **Institutional capacity.** Developing local capacity for effective service delivery and provision of quality services and infrastructure are key requirements remains a substantial risk. There are several challenges including the adequacy of wage allocations, limited incentives to staff LGs and the on-going creation of new LGs (new districts). There is a risk without critical staffing capacity, newly created and existing LGs that will have insufficient capacity to effectively respond to performance requirements, and failure to improve weaker LGs through LG Performance Improvement Plans. There is a particular risk in micro irrigation which represents a new set of interventions whose implementation are potentially complex to manage and will require new skills and capacity to be built. There is also a risk that participating MDAs have limited capacity to perform their routine oversight functions and strengthen systems. MoFPED faces further challenge of coordination and collaboration across a broader set of participating ministries, LGs and other relevant agencies. At the LG level incentives will be put in place to ensure that critical staffing is in place (DLI 5) through the performance assessment and both staff and management of service delivery is funded (DLI 1). At the center, central capacity for coordination capacity will be strengthened and coordination incentivized (DLIs 3 and 4).
- d. **Fiduciary.** Funding for service delivery is reliable reaching LGs and facilities in full and in a timely manner. Fiduciary risks predominantly therefore relate to the functioning of existing processes and systems at the LG level, and at the facility level. This includes challenges in compliance, accountability and audit follow up. Capacity at the LG level remains a key constraint. Some of the challenges relate to processes, which require strengthening, but also require awareness of LGs to implementing such system. The multiplicity of parallel funding sources, especially in refugee hosting LGs also present risks. There have also been fiduciary issues in the past in the same sectors as those proposed in this operation, i.e. education, water and agriculture. The performance and institutional capacity of central MDAs to ensure that they adequately provide their core oversight functions will be periodically assessed and capacity strengthened under the program. Gaps and deficiencies identified under the integrated fiduciary assessment conducted as part of the project preparation will also be addressed through a series of specific mitigation measures (Annex 3).
- e. **Environmental and Social risks.** The main social risks under the project include potential economic and physical displacement for the construction of new school/health facilities and water infrastructure. In addition, the expected influx of labor into affected communities to carry out related civil works may pose risks if not mitigated adequately. Environment risks relate to waste management, construction and water use and quality. Under the parent project substantial gaps in addressing the issues at both central and local levels have been noted and as such, environmental and social risk under this project will be rated at substantial. Agreed short term actions have been completed to address these risks to strengthen central oversight and critical staffing and compliance with strengthened procedures at the local level will be incentivized through the performance assessment, as described in the addendum to the ESSA (Annex 4).

112. **The program has put in place mitigation mechanisms to address the risks which are fully integrated into the design of the program.** DLIs 1 and 2 address risks, through provision of adequate financing for service delivery and its management, including wages of critical staff. They also incentivize performance through linking performance assessment results development grants. The service delivery improvement matrix includes actions which address risks, and DLI 3 incentivizes those risks. DLIs 4, 5 and 6, are based on the results of the performance assessment. Minimum conditions are focused on key risks including staffing and compliance with environmental and social safeguards requirements. The combination of minimum conditions and weightings related to performance criteria, which will be set out in the assessment manual, will be designed in such a way that it ensures a significant and clear opportunity cost for non-compliance with technical, fiduciary and environmental and social requirements.



Box 3: Short term Actions to Address Key Risks

Actions Completed

1. **Development of thematic performance improvement plan** to address short term contract management and safeguards issues.
2. **Complete Staffing of the UgIFT coordination team in MoFPED**, inclusive two experts to support the implementation of UgIFT related environment and social requirements and provide broader capacity development in LGs.
3. **A Circular issued on construction management and safeguards issues** to LGs, from MOFPED.
4. **Completion of two rounds of joint monitoring of construction** in all local governments and dissemination of guidelines to local governments, including environmental and social safeguards requirements.
5. **NEMA and Ministry of Gender, Labor and Social Development (MoGLSD) have joined the UgIFT technical committee** and have participated in quarterly joint monitoring
6. **Performance measures agreed for the Annual Performance Assessment which include minimum conditions and performance criteria related to staffing and environment and social safeguards** which are consistent across sectors and are elaborated in the performance assessment manual.
7. **Completion of a calendar of central government activities in relation to routine oversight of service delivery**, which include routine safeguards functions and specific roles for MWE/NEMA and MGLSD as well as sector and other crosscutting roles.
8. **Update of or addendum to the Intergovernmental Fiscal Transfer Reform Program which**, inter alia, highlights central and local government roles in oversight and safeguards.

Actions to be Completed Before Effectiveness (Effectiveness Requirements)

1. **Revised allocation formulae have been applied in 2020/21 approved budget allocations for LGs, and population variables used in application of those formulae are inclusive of refugee population** in health, education, and water and environment.
2. **At least two rounds of joint monitoring of construction** in all local governments have been completed in the nine months immediately preceding effectiveness
3. **Adequate arrangements have been made to implement central government activities and budget allocations for those activities are in line with the agreed MTP from 2021/22 to 2023/24.** Workplans prepared incorporate separately identifiable activities for (i) activities in the service delivery improvement matrix and (ii) arrangements for ensuring adequate support is provided to the National Resource Pool to deliver quality outputs.
4. **The Program Operations Manual has been revised to include:** (i) Guidelines, checklists and tools for environmental and social safeguards and a unified system of grievance redress at the LG level; (ii) Grant and Budgeting and Service Delivery/Facility/LLG Guidelines for Health, Education, Water and Environment, Irrigation and the DDEG, incorporating agreed basic minimum infrastructure and staffing standards and environmental and social requirements; (iii) technical guidelines for water and environment and irrigation (iv) sector guidelines for transition planning for refugees hosting LGs; (v) a calendar of central government oversight activities and the service delivery improvement matrix (vi) The Annual Performance Assessment Manual in line with agreed matrix of performance measures, incorporating minimum performance conditions, and (vii) a communication strategy for the interventions under the implementation of the intergovernmental fiscal transfer reform program and the results.
5. **Communication, dissemination and training activities have been undertaken consistent with the communication and training strategy in the POM**, including (i) the issuance of a circular informing LGs of critical staffing, fiduciary and safeguards requirements and consequences of non-compliance; (ii) the dissemination of the aforementioned requirements in national media in line with communications strategy; (iii) the dissemination to and training of all relevant local governments heads of department and identified crucial LG staff on the performance assessment manual, updated staffing and safeguards requirements, and irrigation guidelines in line with agreed training standards in the context of COVID-19 restrictions.

Actions to be Completed by Specific Dates (Dated Covenants)

1. **In order to ensure that critical LG staff are in place for LGs without wage provision, by end of May 2021, the following has taken place:** (i) the critical staff in LGs who do not have wage allocation have been identified; (ii) the unconditional grant wage allocations in the budget framework paper have been adjusted to cover all critical staff costs; and (iii) LGs have been instructed to complete recruitment before end of September 2021 including additional school inspectors and environmental and social development staff
2. **Communication, Dissemination and Training of the Program and Sector Budgeting and Updated Technical Guidelines has taken place by December of each year as follows:** (i) key requirements have been disseminated in national media of UgIFT AF and sector guidelines in line with communication strategy; (ii) direct training on sector grant and budgeting guidelines and sector technical guidelines has taken place; all relevant local governments heads of department have been trained directly on sectoral and fiduciary and safeguards issues; (iii) In charges of health facilities and head teachers and critical lower local government staff have been trained on sector specific guidelines in line with training standards or in an agreed adjusted form in the context of COVID-19 restrictions.
3. **To apply updated minimum conditions and performance measures from 2020 onwards in the annual performance assessments in line with an agreed phase in plan and to apply the results to development grant allocations by the 15th June, annually.** The minimum conditions related to staffing and environmental and social risks screening in the performance assessment from 2020 onwards and for budgeting for investment costs from 2021 onwards.



113. **The GoU is committed to a number of specific actions before Effectiveness and in the first year of implementation of the expanded Program, to ensure that a number of risks are addressed up front.** Further specific and routine actions are integrated into the Program Action Plan, which also addresses higher level macroeconomic risks. Combined, this will help establish early momentum and provide a framework for robust risk management for the duration of the program.

VI. WORLD BANK GRIEVANCE REDRESS

114. **Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS).** The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org

115. **The AF Program will continue to strengthen the GoU's grievance redress mechanism.** A clear system for handling grievance for the UglIFT Program has been established and made grievance redress mechanisms publicly available. Sector and Facility level guidelines as well as budgeting requirements included steps that communities and individuals can follow to achieve grievance redress. In the LG Performance Assessment Manual, each LG is required to develop a Complaints Handling System and LGs are required to present evidence that grievances pertaining to environmental and social management are included and have clear procedures for redress. In addition, existence and use of complaints register at LGs are verified during the Performance Assessment. Building on these provisions, LGs and central MDAs will be required to establish consultative committees to handle grievances and disputes, in line with Public Service Negotiating, Consultative, and Dispute Settlement Machinery. The AF Program will continue to support central and LG capacity and procedures to address types of complaints and mechanism to channel grievance upward to higher levels when they are not resolved by the LGs.

116. **Citizens Engagement:** Beneficiary engagement continues under the AF as part of the established grievance redress mechanisms and the complaints handling systems set up under the LGs. The AF will also support the strengthening of Water User Management Committees, School Management Committees, Health Unit Management Committees, and beneficiary farmers through the establishment of farmer field schools. Citizen Engagement will be assessed and incentivized through the service delivery dimension of the performance assessment (DLIs 5 and 6) and integrated into PDO indicators 3 and 4.



VII. SUMMARY TABLE OF CHANGES

	Changed	Not Changed
Change in Project's Development Objectives	✓	
Change in Program Scope	✓	
Change in Results Framework	✓	
Change in Loan Closing Date(s)	✓	
Reallocation between Disbursement Categories	✓	
Change in Program Action Plan	✓	
Change in Safeguard Policies Triggered	✓	
Change in Fiduciary	✓	
Change in Environmental and Social Aspects	✓	
Change in Implementing Agency		✓
Cancellations Proposed		✓
Change in Disbursements Arrangements		✓
Change in Legal Covenants		✓
Other Change(s)		✓

VIII. DETAILED CHANGE(S)

PROGRAM DEVELOPMENT OBJECTIVE

Current PDO

To improve the adequacy and equity of fiscal transfers and fiscal management of resources by Local Governments for health and education services.

Proposed New PDO

to improve the adequacy, equity and effectiveness of financing and the oversight, management and delivery of local government services in education, health, water and environment, and micro irrigation, including refugees and their host communities.



LOAN CLOSING DATE(S)

Ln/Cr/Tf	Status	Original Closing	Current Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
IDA-61040	Effective	31-Dec-2023	31-Dec-2023	30-Jun-2024	30-Oct-2024

COMPLIANCE

Change in Safeguard Policies Triggered

Yes

Safeguard Policies Triggered

Safeguard Policies	Current	Proposed
Projects on International Waterways OP/BP 7.50	No	Yes
Projects in Disputed Areas OP/BP 7.60	No	No

Conditions

Type	Description
Effectiveness	The Association is satisfied that the Recipient has an adequate refugee protection framework;
Effectiveness	The Recipient has applied a revised allocation formulae in the 2020/21 approved budget appropriations for local governments, and population variables used in application of those formulae are inclusive of refugee populations in health, education, and water and environment.



Type Effectiveness	Description The Recipient has completed at least two rounds of joint monitoring of construction in all local governments in the nine months immediately preceding Effectiveness of this Agreement.
Type Effectiveness	Description The Association is satisfied that the Recipient has made adequate arrangements to implement central government responsibilities and budget allocations for those activities are in line with the agreed Medium Term Plan for Financing Local Services (“MTP”) from 2021/22 to 2023/24. This involves (i) workplans for said responsibilities incorporate separately identifiable activities for completing actions in the service delivery improvement matrix and routine oversight activities, and (ii) arrangements for ensuring that adequate support is provided to the National Resource Pool.
Type Effectiveness	Description The Recipient has updated and adopted the Program Operational Manual. The Program Operation Manual shall include, at a minimum the following: (i) guidelines, checklists and tools for environmental and social safeguards and a unified system of grievance redress at the LG level; (ii) grant and budgeting guidelines for higher and lower local governments and service facilities in health, education, water and environment, irrigation and the discretionary development equalization grants, incorporating agreed basic minimum infrastructure and staffing standards and environmental and social requirements; (iii) technical guidelines for water and environment and irrigation; (iv) sector guidelines for transition planning for refugees hosting LGs; (v) a calendar of central government oversight activities and the service delivery improvement matrix; (vi) the annual performance assessment manual in line with agreed matrix of performance measures, incorporating minimum performance conditions; and (vii) a communication and training strategy for the interventions under the implementation of the intergovernmental fiscal transfer reform program and the results.
Type Effectiveness	Description The Recipient has undertaken critical communication, dissemination and training activities consistent with the communication and training strategy in the POM, including (i) the issuance of a circular informing LGs of critical staffing, fiduciary and safeguards requirements and consequences of non-compliance; (ii) the dissemination of the aforementioned requirements in national media in line with communications strategy; (iii) the dissemination to and training of all relevant local governments heads of department and identified crucial LG staff on the performance assessment manual, updated staffing and safeguards requirements, and irrigation guidelines in line with agreed training standards in the context of



	COVID-19 restrictions.
Type Effectiveness	Description The Recipient has implemented all measures and actions, inclusive of those related to environmental and social safeguards, due to be completed by Effectiveness as set forth in the Program Action Plan.



IX. RESULTS FRAMEWORK AND DISBURSEMENT LINKED INDICATORS

Results Framework

COUNTRY: Uganda

UGANDA INTERGOVERNMENTAL FISCAL TRANSFERS - ADDITIONAL FINANCING

Program Development Objective(s)

to improve the adequacy, equity and effectiveness of financing and the oversight, management and delivery of local government services in education, health, water and environment, and micro irrigation, including refugees and their host communities.

Project Development Objective Indicators by Objectives/ Outcomes

Indicator Name	DLI	Baseline	Intermediate Targets			End Target
			1	2	3	
1a: Adequacy and equity of Staffing for Service Delivery (Action: This Objective is New)						
Primary Schools - % of LGs with enough teachers to meet minimum staffing levels. (Text)		78%	78%	78%	78%* (50% new staff hired)	90%
Action: This indicator is New	Rationale: Note: Until minimum staffing levels are set, this is assumed as 80% of current positions filled.					
Secondary Schools - % of LGs with enough teachers to meet minimum staffing levels. (Text)		47%	47%	47%	47%* (50% new staff hired)	90%
Action: This indicator is New	Rationale: Note: Until minimum staffing levels are set, this is assumed as 75% of current positions filled.					



Indicator Name	DLI	Baseline	Intermediate Targets			End Target
			1	2	3	
Health Facilities - % of LGs with enough health workers to meet minimum staffing levels. (Text)		37%	37%	37%	37%* (50% new staff hired)	90%
Action: This indicator is New	Rationale: Note: Until minimum staffing levels are set, this is assumed as 75% of current positions filled.					
Critical Sector Departments & LLG staff - % of LGs all critical staff in place. (Text)		10%	10%	35%	55%	90%
Action: This indicator is New						
1b: Adequacy of Non-Wage Recurrent and Development Financing for Service Delivery (Action: This Objective is New)						
LG Non Wage Recurrent Financing - Nominal Budget Allocations for Health, Education, Water and Environment (UGX billion) (Number)		300.00	360.00	434.00	530.00	593.00
Action: This indicator is New						
LG Development Financing - Nominal Budget Allocations for Health, Education, Water and Irrigation (UGX billion) (Number)		246.00	250.00	343.00	445.00	523.00
Action: This indicator is New						
1c: Equity of Non Wage Recurrent and Development Financing for Service Delivery (Action: This Objective is New)						
LG Non Wage Recurrent Financing - % of Grant Allocations for Health, Education, Water and Environment based on an Equitable Formula (Percentage)		2.00	90.00	92.00	92.00	92.00



Indicator Name	DLI	Baseline	Intermediate Targets			End Target
			1	2	3	
Action: This indicator is New						
LG Development Financing - % of Grant Allocations for Health, Education, Water and Irrigation based on an Equitable Formula (Percentage)		43.00	42.00	46.00	54.00	56.00
Action: This indicator is New						
2: Core Functions Carried Out in the Oversight of Service Delivery by Central Government (Action: This Objective is New)						
Number of core central functions carried in support of service delivery (in Education, Health, Water and Environment, Micro Irrigation, and Crosscutting Areas) (Text)		N/A	1 out of 2 (in each sector, crosscutting)	2 out of 4 (in each sector, crosscutting)	3 out of 4 (in each sector, crosscutting)	4 out of 4 (in each sector, crosscutting)
Action: This indicator is New						
3a: Improvement in the LG performance in the management of service delivery and investments (Action: This Objective is New)						
Improvement in LG Management Performance Overall (in Education, Health, Water & Environment, Micro Irrigation, Cross-cutting Areas) (Text)		Yes (Education, Health, Water & Environment, Cross-cutting Areas) N/A (Micro Irrigation)	Yes (Education, Health, Water & Environment, Cross-cutting Areas) N/A (Micro Irrigation)	Yes (Education, Health, Water & Environment, Cross-cutting Areas) N/A (Micro Irrigation)	Yes (Education, Health, Water & Environment, Micro Irrigation, Cross-cutting Areas)	Yes (Education, Health, Water & Environment, Micro Irrigation, Cross-cutting Areas)
Action: This indicator is New						
3b: Improvement in LG performance in the management of resources in the worst performing LGs (Action: This Objective is New)						
Improvement in LG management performance in the worst performing LGs (in Education, Health, Water & Environment, Micro Irrigation and Cross-cutting Areas) (Text)		Yes (Education, Health, Water & Environment, Cross-cutting Areas), N/A (Micro Irrigation)	Yes (Education, Health, Water & Environment, Cross-cutting Areas), N/A (Micro Irrigation)	Yes (Education, Health, Water & Environment, Cross-cutting Areas), N/A (Micro Irrigation)	Yes (Education, Health, Water & Environment, Micro Irrigation, Cross-cutting Areas)	Yes (Education, Health, Water & Environment, Micro Irrigation, Cross-cutting Areas)



Indicator Name	DLI	Baseline	Intermediate Targets			End Target
			1	2	3	
Action: This indicator is New						
4a: Improved Availability and Performance of LG Education Services (Action: This Objective is New)						
Availability of Services: percent of subcounties with population >15,000 with a government secondary school with basic facilities and minimum staffing levels (Percentage)		84.00	84.00	87.00	87.00	89.00
Action: This indicator is New						
Service Delivery Performance: Average score in the primary school performance assessment improves (Text)		N/A	N/A	Yes	Yes	Yes
Action: This indicator is New						
4b: Improved Availability and Performance of LG Health Services (Action: This Objective is New)						
Availability of Services: percent of sub-counties with population >15,000 with a functional health center III or IV with basic facilities, equipment and staffing (Percentage)		94.00	96.00	97.00	97.00	97.00
Action: This indicator is New						
Service Delivery Performance: Average score in RBF facility assessment improves (Text)		N/A	N/A	Yes	Yes	Yes
Action: This indicator is New						
4c: Improved Availability and Performance of LG Water and Sanitation Services (Action: This Objective is New)						



Indicator Name	DLI	Baseline	Intermediate Targets			End Target
			1	2	3	
Availability of Services: percent of sub-counties with functional safe water coverage > 77 percent (Text)		N/A	N/A	50%	70%	80%
Action: This indicator is New						
Service Delivery Performance: Average score in the water and sanitation subcounty performance assessment improves. (Text)		N/A	N/A	N/A	Yes	Yes
Action: This indicator is New						
4d: Improved Availability and Performance of LG Micro Irrigation Services (Action: This Objective is New)						
Availability of Services: Number of farmers with and hectares of newly or improved irrigated land. (Text)		N/A	N/A	N/A	2,000.00	4,000.00
Action: This indicator is New						
Service Delivery Performance: Average score in the irrigation subcounty performance assessment improves. (Text)		N/A	N/A	N/A	N/A	Yes
Action: This indicator is New						
Annual % increase in nominal fin for LG SD in health, edu, water & San & small scale irrig (3yr MA) (Action: This Objective has been Marked for Deletion)						
Education % (Percentage)		0.01				7.50
Action: This indicator has been Marked for Deletion						
Health % (Percentage)		0.01				13.25
Action: This indicator has been						



Indicator Name	DLI	Baseline	Intermediate Targets			End Target
			1	2	3	
Marked for Deletion						
% of Higher Loc Government with a) staffing of health facilities, b) staffing of schools (Percentage)						
Action: This indicator has been Marked for Deletion						
Conditional non-wage current grants per beneficiary of 20 least as % of 20 best funded Districts (Action: This Objective has been Marked for Deletion)						
Education, per child of school going age: % (Percentage)		33.00				46.00
Action: This indicator has been Marked for Deletion						
Health, per capita: % (Percentage)		22.00				38.00
Action: This indicator has been Marked for Deletion						
% share of education and health development grants made to the 30 least served Districts (Action: This Objective has been Marked for Deletion)						
Transfers to 30 districts with lowest enrolment rates (Percentage)		20.00				21.00
Action: This indicator has been Marked for Deletion						
% transfers to 30 Districts with highest population per health facility (Percentage)		39.00				35.00
Action: This indicator has been Marked for Deletion						
Fiscal management of education resources by LGs overall doesn't deteriorate (Action: This Objective has been Marked for Deletion)						



Indicator Name	DLI	Baseline	Intermediate Targets			End Target
			1	2	3	
Education (Yes/No)		No				Yes
<i>Action: This indicator has been Marked for Deletion</i>						
Health (Yes/No)		No				Yes
<i>Action: This indicator has been Marked for Deletion</i>						
Fiscal management of health resources in 20 worst performing LGs doesn't deteriorate (Action: This Objective has been Marked for Deletion)						
Education (Yes/No)		Yes				Yes
<i>Action: This indicator has been Marked for Deletion</i>						
Health (Yes/No)		No				Yes
<i>Action: This indicator has been Marked for Deletion</i>						

Intermediate Results Indicators by Results Areas

Indicator Name	DLI	Baseline	Intermediate Targets			End Target
			1	2	3	
Results Area 1. Enhancing Adequacy and Equity of Financing for LG Services (Action: This Result Area is New)						
IR Indicator 1.1: Average size conditional non-wage recurrent grants for education (primary & secondary only), health and water and environment services per capita. (Text)		7,088 exc. refugees	8,131	9,714	11,516	12,543



Indicator Name	DLI	Baseline	Intermediate Targets			End Target
			1	2	3	
Action: This indicator is New						
IR Indicator 1.2: Average size of conditional development grants per capita for health, education, water and irrigation. (Text)		6,522, exc. refugees	6,285	8,369	10,525	12,013
Action: This indicator is New						
IR Indicator 1.3: Average conditional non-wage recurrent grants for health, education, water and environment per beneficiary for the 20 least funded LGs as % national per capita value. (Text)		47%, exc. refugees	48%	54%	57%	57%
Action: This indicator is New						
IR Indicator 1.4: Average conditional development grants for health, education, water and irrigation per beneficiary for the 20 least funded LGs as % national per capita value. (formula-based only) (Text)		61% exc. refugees	53%	52%	48%	46%
Action: This indicator is New						
IR Indicator 1.5 - Average % of budgeted non-wage recurrent transfers (as per allocation formula) in the health, education, water and environment and irrigation released to Local Governments. (Percentage)		100.00	100.00	100.00	100.00	100.00
Action: This indicator is New						



Indicator Name	DLI	Baseline	Intermediate Targets			End Target
			1	2	3	
IR Indicator 1.6 Enhanced, equitable formula for conditional development grants in health, education, water and environment and irrigation implemented as per plan. (Text)		40% (Health, Education & Water only)	42%	46%	54%	56%
Action: This indicator is New						
Results Area: 2. Improved Oversight of Service Delivery by Central Government (Action: This Result Area is New)						
IR Indicator 2.1: Central Government Essential Guidance Issued and Disseminated (Yes/No)		No	No	Yes	Yes	Yes
Action: This indicator is New						
IR Indicator 2.2: Central Government Performance Assessments and Performance Improvement Support Implemented (Yes/No)		No	No	Yes	Yes	Yes
Action: This indicator is New						
IR Indicator 2.3 Routine Coordination, Oversight, Monitoring and Technical Support of service delivery and safeguards requirements by central government Implemented. (Yes/No)		No	Yes	Yes	Yes	Yes
Action: This indicator is New						
IR Indicator 2.4: Cumulative number of actions to improve		0.00	10.00	20.00	40.00	60.00



Indicator Name	DLI	Baseline	Intermediate Targets			End Target
			1	2	3	
service delivery implemented from the service delivery improvement matrix (Number)						
Action: This indicator is New						
IR Indicator 2.5: Cumulative % of agreed actions to strengthen social and environmental management implemented (Percentage)	0.00		25.00	50.00	65.00	80.00
Action: This indicator is New						
IR Indicator 2.6: Cumulative % of agreed actions to strengthen service delivery in refugee hosting LGs implemented. (Percentage)	0.00		25.00	50.00	65.00	80.00
Action: This indicator is New						
Results Area 3: Improvement in Management of Services by Local Governments (Action: This Result Area is New)						
IR Indicator 3.1: Improvement in LG performance in the management of human resources as measured in the annual performance assessment (Yes/No)	No		Yes	Yes	Yes	Yes
Action: This indicator is New						
IR Indicator 3.2: Improvement in LG performance in the inspection, monitoring and assessment of service delivery as measured in the annual performance assessment (Yes/No)	No		Yes	Yes	Yes	Yes



Indicator Name	DLI	Baseline	Intermediate Targets			End Target
			1	2	3	
Action: This indicator is New						
IR Indicator 3.3: Improvement in LG performance in the oversight of construction and the implementation of environmental and social requirements (Yes/No)		No	Yes	Yes	Yes	Yes
Action: This indicator is New						
IR Indicator 3.4: Increase in the average number of minimum conditions met by LGs. (Yes/No)		No	Yes	Yes	Yes	Yes
Action: This indicator is New						
Results Area 4: Improvement in Delivery of Services and infrastructure by Local Governments (Action: This Result Area is New)						
IR Indicator 4.1 – Education: Number of new secondary schools constructed, equipped and staffed to minimum levels (Number)		11.00	115.00	117.00	232.00	232.00
Action: This indicator is New						
IR Indicator 4.2 – Education: Number of primary schools upgraded to meet basic infrastructure standards (cumulative) (Number)		0.00	0.00	200.00	500.00	1,000.00
Action: This indicator is New						
IR Indicator 4.3 – Education: Number of LGs where the school performance assessment and improvement framework has been		0.00	0.00	50.00	100.00	100.00



Indicator Name	DLI	Baseline	Intermediate Targets			End Target
			1	2	3	
implemented (Number)						
Action: This indicator is New						
IR Indicator 4.4 – Education: Number of learners enrolled in schools transitioned to the LG system in refugee hosting districts (Number)		0.00	0.00	0.00	10,000.00	25,000.00
Action: This indicator is New						
IR Indicator 4.5 – Health: Number of HCIIIs upgraded to HCIII which are completed, equipped and staffed up to at least minimum staffing levels. (Number)		124.00	157.00	291.00	331.00	380.00
Action: This indicator is New						
IR Indicator 4.6 - Health: Number of existing HCIIIs or HCIVs rehabilitated, expanded and/or equipped to meet basic standards. (Text)		0.00	0.00	0.00	200.00	500.00
Action: This indicator is New						
IR Indicator 4.7 - Health: Percentage of existing HCIIIs or HCIVs rehabilitated, expanded and/or equipped to meet basic standards in refugee hosting LGs. (Percentage)		95.00	97.00	97.00	98.00	98.00
Action: This indicator is New						



Indicator Name	DLI	Baseline	Intermediate Targets			End Target
			1	2	3	
IR Indicator 4.8 – Health: Number of health workers transitioned to the government system in refugee hosting districts. (Number)		0.00	0.00	0.00	280.00	280.00
Action: This indicator is New						
IR Indicator 4.9 – Water: Number of water connections and point sources constructed or rehabilitated in sub-counties with functional safe water coverage <77%. (Text)		N/A	N/A	2,716	2,111	2,452
Action: This indicator is New						
IR Indicator 4.10 – Water: % of water facilities/schemes functional as reported in upgraded MIS (Text)		N/A	N/A	65%	65%	70%
Action: This indicator is New						
IR Indicator 4.11 – Water: % of water supply facilities with adequate hygiene practices within the service areas [collection & storage containers] (Text)		N/A	N/A	10%	20%	30%
Action: This indicator is New						
IR Indicator 4.12 – Water: Number of water connections and point sources constructed or rehabilitated in refugee hosting LGs (Text)		N/A	N/A	2,716.00	2,111.00	270.00
Action: This indicator is New						



Indicator Name	DLI	Baseline	Intermediate Targets			End Target
			1	2	3	
IR Indicator 4.13 – Water: Population served by functional water schemes/points transitioned to the LG system in refugee hosting districts. (Number)		0.00	0.00	30,000.00	65,000.00	100,000.00
Action: This indicator is New						
IR Indicator 4.14 – Irrigation: Number of eligible farmers who have received a farm visit from the LG within 6 months from their Expression of Interest (Eoi) (Number)		0.00	0.00	4,000.00	6,000.00	8,000.00
Action: This indicator is New						
IR Indicator 4.15 – Irrigation: % of farmers who received a farm visit that who have been approved / denied their application within 3 months from the farm visit. (Text)		N/A	N/A	90%	95%	100%
Action: This indicator is New						
IR Indicator 4.16 – Irrigation: Number of approved farmers who completed at least once cycle of a farmer field school (Number)		0.00	0.00	1,000.00	2,000.00	3,000.00
Action: This indicator is New						
IR Indicator 4.17 – Irrigation: % of irrigation systems installed that are functional and in use (Text)		N/A	N/A	N/A	80%	90%
Action: This indicator is New						



Indicator Name	DLI	Baseline	Intermediate Targets			End Target
			1	2	3	
IR Indicator 4.18 – Irrigation: % of beneficiary farmers with newly or improved irrigated land who are female (Text)		N/A	N/A	N/A	20%	30%
Action: This indicator is New						
Enhancing adequacy of fiscal transfers for education and health services (Action: This Result Area has been Marked for Deletion)						
Average conditional non-wage recurrent grants for education services per beneficiary (Number)		6,815.00				11,430.00
Action: This indicator has been Marked for Deletion						
Average conditional non-wage recurrent grants for health services per beneficiary (Number)		1,295.00				3,198.00
Action: This indicator has been Marked for Deletion						
Average conditional development grants for education per child of school going age (Number)		2,260.00				6,432.00
Action: This indicator has been Marked for Deletion						
Average conditional development grants for health services per capita (Number)		321.00				1,804.00
Action: This indicator has been Marked for Deletion						
Number of service delivery structures constructed or rehabilitated in education (Number)		2,909.00				5,275.00



Indicator Name	DLI	Baseline	Intermediate Targets			End Target
			1	2	3	
Action: This indicator has been Marked for Deletion						
Number of service delivery structures constructed or rehabilitated in health (Number)		780.00				4,365.00
Action: This indicator has been Marked for Deletion						
Enhancing equity of fiscal transfers for education and health services (Action: This Result Area has been Marked for Deletion)						
Average conditional non-wage recurrent grants for education services per beneficiary for the 20 least funded Districts per child of school going age (Number)		8,303.00				17,349.00
Action: This indicator has been Marked for Deletion						
Average conditional non-wage recurrent grants for health services per beneficiary for the 20 least funded Districts per capita (Number)		692.00				2,120.00
Action: This indicator has been Marked for Deletion						
Enhanced, equitable formula for conditional non-wage recurrent grants in education phased in as per plan (Yes/No)		No				Yes
Action: This indicator has been Marked for Deletion						
Enhanced, equitable formula for conditional non-wage recurrent grants in health phased in as per plan (Yes/No)		No				Yes



Indicator Name	DLI	Baseline	Intermediate Targets			End Target
			1	2	3	
Action: This indicator has been Marked for Deletion						
Number of services delivery structures constructed or rehabilitated in the 30 least served districts in education: no of structures in the districts with lowest enrollment (Number)		574.00				1,110.00
Action: This indicator has been Marked for Deletion						
Number of services delivery structures constructed or rehabilitated in the 30 least served districts in health: no of health facilities in the districts with highest population per health facility (Number)		159.00				786.00
Action: This indicator has been Marked for Deletion						
Enhanced, equitable formula for conditional development grants in education implemented as planned (Yes/No)		No				Yes
Action: This indicator has been Marked for Deletion						
Enhanced, equitable formula for conditional development grants in health implemented as planned (Yes/No)		No				Yes
Action: This indicator has been Marked for Deletion						
Improvement in fiscal management of education and health services (Action: This Result Area has been Marked for Deletion)						



Indicator Name	DLI	Baseline	Intermediate Targets			End Target
			1	2	3	
Annual performance assessments of LGs completed (Percentage)		0.00				100.00
Action: This indicator has been Marked for Deletion						
Number of performance improvement plans prepared for LGs (Number)		0.00				20.00
Action: This indicator has been Marked for Deletion						
Value for Money audit completed (Yes/No)		No				Yes
Action: This indicator has been Marked for Deletion						

Monitoring & Evaluation Plan: PDO Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Primary Schools - % of LGs with enough teachers to meet minimum staffing levels.	This is PDO Indicator 1a: and measures adequacy and equity of staffing in primary schools by % of higher Local Governments with staffing of primary schools above 80% filled positions.	Annual	MoFPED, MoES	Details will be included in the POM	MoFPED
Secondary Schools - % of LGs with enough teachers to meet minimum staffing levels.	This is PDO Indicator 1a for adequacy and equity of staffing in secondary schools by % of higher	Annual	MoFPED, MoES	Details will be included in the POM	MoFPED



	Local Governments with staffing of secondary schools above 75% filled positions.				
Health Facilities - % of LGs with enough health workers to meet minimum staffing levels.	This is PDO Indicator 1a for adequacy and equity of staffing of Health by measuring % of higher Local Governments with staffing of health facilities above 75% filled positions.	Annual	MoFPED, MoH	Details will be included in the POM	MoFPED
Critical Sector Departments & LLG staff - % of LGs all critical staff in place.	This is PDO Indicator 1a for adequacy and equity of staffing by measuring % of higher Local Governments with critical sector department and lower local government staff in place as defined in the POM.	Annual	MoFPED, LGs	Details will be included in the POM	MoFPED, MAAIF
LG Non Wage Recurrent Financing - Nominal Budget Allocations for Health, Education, Water and Environment (UGX billion)	This is PDO Indicator 1b for adequacy of non-wage recurrent financing measured by nominal allocations in health, education, water and environment and micro irrigation. The unit of measurement is Budget Ceiling (UGX billions)	Annual	MoFPED	Details will be included in the POM	MoFPED
LG Development Financing - Nominal Budget Allocations for Health, Education, Water and Irrigation (UGX billion)	This is PDO Indicator 1b for adequacy of non-wage development financing	Annual	MoFPED, LGs	Details will be included in the POM	MoFPED



	measured by nominal allocations in health, education, water and environment and micro irrigation. The unit of measurement is Budget Ceiling (US\$ billions)				
LG Non Wage Recurrent Financing - % of Grant Allocations for Health, Education, Water and Environment based on an Equitable Formula	This is PDO Indicator 1c for Equity of non wage recurrent financing measured by % of non-wage recurrent grant allocations to which equitable formula for conditional non-wage recurrent grants in health, education, water and environment has been applied.	Annual	MoFPED	Details will be included in the POM	MoFPED
LG Development Financing - % of Grant Allocations for Health, Education, Water and Irrigation based on an Equitable Formula	This is PDO Indicator 1c for Equity of development financing measured by % of development grant allocations to which equitable formula for conditional development grants in health, education, water and environment has been applied.	Annual	MoFPED	Details will be included in the POM	MoFPED
Number of core central functions carried in support of service delivery (in Education, Health, Water and Environment, Micro Irrigation, and	This is PDO Indicator 2 for overall performance in the oversight of service delivery by the ministries	Annual	MoFPED, MDAs, annual performance assessments	Details will be included in the POM	MoFPED



Crosscutting Areas)	responsible for Education, Health, Water and Environment, Micro Irrigation, and Crosscutting Areas as measured in the annual performance assessments.				
Improvement in LG Management Performance Overall (in Education, Health, Water & Environment, Micro Irrigation, Cross-cutting Areas)	This is PDO Indicator 3a for improvement in the LG performance in the management of services in Education, Health, Water and Environment, Micro Irrigation, and Crosscutting Areas as measured in the annual performance assessment.	Annual	MoFPED, MDAs, annual performance assessment	Details will be included in the POM	MoFPED
Improvement in LG management performance in the worst performing LGs (in Education, Health, Water & Environment, Micro Irrigation and Cross-cutting Areas)	This is PDO Indicator 3b for improvement in LG performance in the management of resources in the 20 worst performing LGs in Education, Health, Water & Environment and Cross-cutting Areas, and 5 worst performing LGs for micro irrigation as measured in the annual performance assessment.	Annual	MoFPED, MDAs, annual performance assessment	Details will be included in the POM	MoFPED
Availability of Services: percent of subcounties with population >15,000 with a government secondary school with basic facilities and minimum staffing levels	This is PDO Indicator 4a for Education measured by % of LLGs with population above 15,000 with a	Annual	MoFPED, MoES, LGs	Details will be included in the POM	MoFPED



	government secondary school with basic facilities and minimum staffing levels.				
Service Delivery Performance: Average score in the primary school performance assessment improves	This is PDO Indicator 4b for Education measured by whether or not average score in the primary school performance assessment improves in the sample LGs.	Annual	MoFPED, MoES, LGs, primary school performance assessment	Details will be included in the POM	MoFPED
Availability of Services: percent of sub-counties with population >15,000 with a functional health center III or IV with basic facilities, equipment and staffing	This is PDO Indicator 4a for Health measured by % of sub-counties with population above 15,000 with a functional health center III or IV	Annual	MoFPED, MoH, LGs	Details will be included in the POM	MoFPED
Service Delivery Performance: Average score in RBF facility assessment improves	This is PDO Indicator 4b for Health measured by average score in the RBF facility assessment and whether it has improved	Annual	MoFPED, MoH, LGs, RBF facility assessment	Details will be included in the POM	MoFPED
Availability of Services: percent of sub-counties with functional safe water coverage > 77 percent	This is PDO Indicator 4a for Water measured by % of sub-counties with functional safe water coverage more than 77%.	Annual	MoFPED, MWR, LGs, subcounties	Details will be included in the POM	MoFPED
Service Delivery Performance: Average score in the water and sanitation subcounty performance assessment improves.	This is PDO Indicator 4b for Water measured by whether average score in the water and environment sub-county performance assessment improved or	Annual	MoFPED, MWR, LGs, sub-counties, water and environment sub-county	Details will be included in the POM	MoFPED



	not.		performance assessment		
Availability of Services: Number of farmers with and hectares of newly or improved irrigated land.	This is PDO Indicator 4a for Micro Irrigation, which is measured by number of farmers with and hectares of newly or improved irrigated land.	Annual	MoFPED, MAAIF, LGs	Details will be included in the POM	MoFPED
Service Delivery Performance: Average score in the irrigation subcounty performance assessment improves.	This is PDO Indicator 4b Micro Irrigation measured by whether average score in the irrigation sub-county performance assessment has improved or not.	Annual	MoFPED, MAAIF, LGs, sub-counties, sub-county performance assessment	Details will be included in the POM	MoFPED
Education %	FY2019/20 Budget	Annual	Annual Budget	OTIMS	MoFPED
Health %	FY2019/20 Budget	Annual	Annual Budget	OTIMS	MoFPED
% of Higher Loc Government with a) staffing of health facilities, b) staffing of schools					
Education, per child of school going age: %	FY2019/20 Budget Education, per child of school going age %	Annual	Annual Budget	OTIMS	MoFPED
Health, per capita: %	FY2019/20 Budget Health, per capita %	Annual	Annual Budget	OTIMS	MoFPED



Transfers to 30 districts with lowest enrolment rates	FY2019/20 Budget: 14% FY2018/19 Budget: 22% % transfers to 30 Districts with lowest enrolment rates	Annual	Annual Budget	OTIMS	MoFPED
% transfers to 30 Districts with highest population per health facility	FY2019/20 Budget: 15% FY2018/19 Budget: 14% % transfers to 30 Districts with highest population per health of facility	Annual	Annual Budget	OTIMS	MoFPED
Education	FY2019/20 Budget	APA / OPAMS	Average score in APA overall	OPM	LGPA Task Force
Health		APA / OPAMS	Average score in APA overall	OPM	LGPA Task Force
Education		APA / OPAMS	Average score in APA for worst 20	OPM	LGPA Task Force
Health	FY2019/20 Budget	APA / OPAMS	Average score in APA for worst 20	OPM	LGPA Task Force



Monitoring & Evaluation Plan: Intermediate Results Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
IR Indicator 1.1: Average size conditional non-wage recurrent grants for education (primary & secondary only), health and water and environment services per capita.	This is IR Indicator 1.1 measuring average size conditional non-wage recurrent grants for education (primary & secondary only), health and water and environment services per capita.	Annual	MoFPED, population, budget, MTP.	Details will be included in the POM	MoFPED
IR Indicator 1.2: Average size of conditional development grants per capita for health, education, water and irrigation.	This is IR Indicator 1.2 measuring average size of conditional development grants per capita for health, education, water and irrigation.	Annual	MoFPED, population, budget, MTP	Details will be included in the POM	MoFPED
IR Indicator 1.3: Average conditional non-wage recurrent grants for health, education, water and environment per beneficiary for the 20 least funded LGs as % national per capita value.	This is IR Indicator 1.3 measuring average conditional non-wage recurrent grants for health, education, water and environment per beneficiary for the 20 least funded LGs as % national per capita value.	Annual	MoFPED, population, budget, MTP	Details will be included in the POM	MoFPED
IR Indicator 1.4: Average conditional development grants for health, education, water and irrigation per beneficiary for the 20 least funded LGs as % national per	This is IR Indicator 1.4 measuring average conditional development grants for health,	Annual	MoFPED, population, budget, MTP	Details will be included in the POM	MoFPED



capita value. (formula-based only)	education, water and irrigation per beneficiary for the 20 least funded LGs as % national per capita value. (formula-based only)				
IR Indicator 1.5 - Average % of budgeted non-wage recurrent transfers (as per allocation formula) in the health, education, water and environment and irrigation released to Local Governments.	This is IR Indicator 1.5 measured by average % of budgeted non-wage recurrent transfers (as per allocation formula) in the health, education, water and environment and irrigation released to Local Governments. Unit is average LG ratio of Release/Budgeted Transfer	Annual	MoFPED, budget	Details will be included in the POM	MoFPED
IR Indicator 1.6 Enhanced, equitable formula for conditional development grants in health, education, water and environment and irrigation implemented as per plan.	This is IR Indicator 1.6 measuring whether enhanced, equitable formula for conditional development grants in health, education, water and environment and irrigation are implemented as per plan. Unit of measurement is average LG ratio of Release/Budgeted Transfer.	Annual	MoFPED	Details will be included in the POM	MoFPED
IR Indicator 2.1: Central Government Essential Guidance Issued and Disseminated	This is IR Indicator 2.1 measuring whether or not Central Government essential guidance was issued and disseminated to	Annual	MoFPED, sector ministries	Details will be in the POM	MoFPED



	LGs as part of oversight of local service delivery.				
IR Indicator 2.2: Central Government Performance Assessments and Performance Improvement Support Implemented	This is IR Indicator 2.2 measuring whether or not Central Government Performance Assessments and Performance Improvement Support to LGs were Implemented.	Annual	MoFPED, sector ministries	Details will be included in the POM	MoFPED
IR Indicator 2.3 Routine Coordination, Oversight, Monitoring and Technical Support of service delivery and safeguards requirements by central government Implemented.	This is IR Indicator 2.3 measuring whether or not central government have implemented routine coordination, provision of oversight, monitoring and technical support of service delivery and safeguards requirements to LGs.	Annual	MoFPED, sector ministries	Details will be included in the POM	MoFPED
IR Indicator 2.4: Cumulative number of actions to improve service delivery implemented from the service delivery improvement matrix	This is IR Indicator 2.4 measuring number of actions to improve service delivery implemented from the service delivery improvement matrix. Indicator is measured by cumulative number of actions.	Annual	MoFPED, sector ministries	Details will be included in the POM	MoFPED
IR Indicator 2.5: Cumulative % of agreed actions to strengthen social and environmental management implemented	This is IR Indicator 2.5 measuring the degree of agreed actions to strengthen social and environmental management	Annual	MoFPED, sector ministries	Details will be included in the POM	MoFPED



	implemented. The indicator is measured by cumulative % of implemented actions.				
IR Indicator 2.6: Cumulative % of agreed actions to strengthen service delivery in refugee hosting LGs implemented.	This is IR Indicator 2.6 measuring the extent agreed actions to strengthen service delivery in refugee hosting LGs are implemented. The indicator is measured by cumulative % of agreed actions.	Annual	MoFPED, sector ministries	Details will be included in the POM	MoFPED
IR Indicator 3.1: Improvement in LG performance in the management of human resources as measured in the annual performance assessment	This is IR Indicator 3.1 assessing improvement in LG performance in the management of human resources which are measured in the annual performance assessment.	Annual	MoFPED, OPM, LGs, LGPA	Details will be included in the POM	MoFPED
IR Indicator 3.2: Improvement in LG performance in the inspection, monitoring and assessment of service delivery as measured in the annual performance assessment	This is IR Indicator 3.2 for assessing improvement in LG performance in the inspection, monitoring and assessment of service delivery which are measured in the annual performance assessment	Annual	MoFPED, OPM, LGs, LGPA	Details will be included in the POM	MoFPED
IR Indicator 3.3: Improvement in LG performance in the oversight of construction and the implementation of environmental and social requirements	This is IR Indicator 3.3 for assessing improvement in LG performance in the oversight of construction and the implementation of	Annual	MoFPED, MPW, sector ministries, LGs	Details will be included in the POM	MoFPED



	environmental and social requirements.				
IR Indicator 3.4: Increase in the average number of minimum conditions met by LGs.	This is IR Indicator 3.4 for assessing improvement in LG performance in service delivery reporting and performance improvement	Annual	MoFPED, OPM, sector ministries, LGs	Details will be included in the POM	MoFPED
IR Indicator 4.1 – Education: Number of new secondary schools constructed, equipped and staffed to minimum levels	This is IR Indicator 4.1 for Education measuring number of new secondary schools that are constructed, equipped and staffed to minimum levels.	Annual	MoFPED, MoES, LGs	Details will be included in the POM	MoFPED
IR Indicator 4.2 – Education: Number of primary schools upgraded to meet basic infrastructure standards (cumulative)	IR Indicator 4.2 for Education measuring the number of primary schools upgraded to meet basic infrastructure standards.	Annual	MoFPED, MoES, LGs	Details will be included in the POM	MoFPED
IR Indicator 4.3 – Education: Number of LGs where the school performance assessment and improvement framework has been implemented	This is IR Indicator 4.3 for Education measuring the number of LGs where the school performance assessment and improvement framework has been implemented.	Annual	MoFPED, MoES, LGs	Details will be included in the POM	MoFPED
IR Indicator 4.4 – Education: Number of learners enrolled in schools transitioned to the LG system in refugee hosting districts	This is IR Indicator 4.4 for Education measuring the number of learners enrolled in schools transitioned to the LG system in refugee hosting districts.	Annual	MoFPED, OPM, MoES, LGs	Details will be included in the POM	MoFPED



<p>IR Indicator 4.5 – Health: Number of HCIIIs upgraded to HCIII which are completed, equipped and staffed up to at least minimum staffing levels.</p>	<p>This is IR Indicator 4.5 for Health measuring the number of HCIIIs upgraded to HCIII which are completed, equipped and staffed up to at least minimum staffing levels. (Cumulative Number)</p>	<p>Annual</p>	<p>MoFPED, MoH, LGs</p>	<p>Details will be included in the POM</p>	<p>MoFPED</p>
<p>IR Indicator 4.6 - Health: Number of existing HCIIIs or HCIVs rehabilitated, expanded and/or equipped to meet basic standards.</p>	<p>This is IR Indicator 4.6 for health measuring the number of existing HCIIIs or HCIVs rehabilitated, expanded and/or equipped to meet basic standards.</p>	<p>Annual</p>	<p>MoFPED, MoH, LGs</p>	<p>Details will be included in the POM</p>	<p>MoFPED</p>
<p>IR Indicator 4.7 - Health: Percentage of existing HCIIIs or HCIVs rehabilitated, expanded and/or equipped to meet basic standards in refugee hosting LGs.</p>	<p>This is IR Indicator 4.7 for health measuring the percentage of existing HCIIIs or HCIVs rehabilitated, expanded and/or equipped to meet basic standards in refugee hosting LGs.</p>	<p>Annual</p>	<p>MoFPED, MoH, LGs</p>	<p>Details will be included in the POM</p>	<p>MoFPED</p>
<p>IR Indicator 4.8 – Health: Number of health workers transitioned to the government system in refugee hosting districts.</p>	<p>This is IR Indicator 4.8 for Health measuring the number of health workers transitioned to the government system in refugee hosting districts.</p>	<p>Annual</p>	<p>MoFPED, OPM, MoH, LGs</p>	<p>Details will be included in the POM</p>	<p>MoFPED</p>
<p>IR Indicator 4.9 – Water: Number of water connections and point sources constructed or rehabilitated in sub-counties with functional safe water coverage <77%.</p>	<p>This is IR Indicator 4.9 for Water measuring the number of water connections and point sources constructed or</p>	<p>Annual</p>	<p>MoFPED, MWE, LGs</p>	<p>Details will be included in the POM</p>	<p>MoFPED</p>



	rehabilitated in sub-counties with functional safe water coverage <77%.				
IR Indicator 4.10 – Water: % of water facilities/schemes functional as reported in upgraded MIS	This is IR Indicator 4.10 for Water measuring % of water facilities/schemes functional as reported in upgraded MIS	Annual	MoFPED, MWE, LGs	Details will be included in the POM	MoFPED
IR Indicator 4.11 – Water: % of water supply facilities with adequate hygiene practices within the service areas [collection & storage containers]	This is IR Indicator 4.11 for Water measuring % of water supply facilities with adequate hygiene practices within the service areas including collection & storage containers.	Annual	MoFPED, MWE, LGs	Details will be included in the POM	MoFPED
IR Indicator 4.12 – Water: Number of water connections and point sources constructed or rehabilitated in refugee hosting LGs	The IR Indicator 4.12 for water measuring the number of water connections and point sources constructed or rehabilitated in refugee hosting LGs. (Cumulative)	Annual	MoFPED, MWE, LGs	Details will be included in the POM	MoFPED
IR Indicator 4.13 – Water: Population served by functional water schemes/points transitioned to the LG system in refugee hosting districts.	This is IR Indicator 4.13 for Water measuring the population served by functional water schemes and points that are transitioned from the partner-assisted to the LG system in refugee hosting districts.	Annual	MoFPED, MWE, LGs, OPM	Details will be included in the POM	MoFPED
IR Indicator 4.14 – Irrigation: Number of eligible farmers who have received a farm	This is IR Indicator 4.14 for micro irrigation measuring	Annual	MoFPED, MAAIF, LGs	Details will be included in the POM	MoFPED



visit from the LG within 6 months from their Expression of Interest (Eoi)	number of eligible farmers who have received a farm visit from the LG within 6 months from their Expression of Interest (Eoi).				
IR Indicator 4.15 – Irrigation: % of farmers who received a farm visit that who have been approved / denied their application within 3 months from the farm visit.	This is IR Indicator 4.15 for micro irrigation measuring % of farmers who received a farm visit that who have been approved or denied their application within 3 months from the farm visit.	Annual	MoFPED, MAAIF, LGs	Details will be included in the POM	MoFPED
IR Indicator 4.16 – Irrigation: Number of approved farmers who completed at least once cycle of a farmer field school	This is IR Indicator 4.16 for micro irrigation measuring the number of approved farmers who completed at least once cycle of a farmer field school.	Annual	MoFPED, MAAIF, LGs	Details will be included in the POM	MoFPED
IR Indicator 4.17 – Irrigation: % of irrigation systems installed that are functional and in use	This is IR Indicator 4.17 for micro irrigation measuring percent of irrigation systems installed that are functional (divided by the total number of systems installed).	Annual	MoFPED, MAAIF, LGs	Details will be included in the POM	MoFPED
IR Indicator 4.18 – Irrigation: % of beneficiary farmers with newly or improved irrigated land who are female	This is IR Indicator 4.18 for micro irrigation measuring % of beneficiary farmers with newly or improved irrigated land who are female. This indicator measures gender aspect of irrigation services.	Annual	MoFPED, MAAIF, LGs	Details will be included in the POM	MoFPED



Average conditional non-wage recurrent grants for education services per beneficiary	FY2019/20 Budget Education, UGX per child of Primary school going age: 16,971 Education, UGX per child of Secondary school going age: 24,140	Annual	Annual Budget	OTIMS	MoFPED
Average conditional non-wage recurrent grants for health services per beneficiary	FY2019/20 Budget Health, UGX per capita	Annual	Annual Budget	OTIMS	MoFPED
Average conditional development grants for education per child of school going age	FY2019/20 Budget Education, UGX per child of school going age	Annual	Annual Budget	OTIMS	MoFPED
Average conditional development grants for health services per capita	FY2019/20 Budget Health, UGX per capita	Annual	Annual Budget	OTIMS	MoFPED
Number of service delivery structures constructed or rehabilitated in education	Number of education structures (classrooms, latrines, teacher houses, admin blocks) FY2018/19	Annual	Annual Budget Perf. Report	OBT / PBS	MoFPED
Number of service delivery structures constructed or rehabilitated in health	FY2018/19 Assumes 5 structures per	Annual	Annual Budget Perf. Report	OBT / PBS	MoFPED



	health center 3 upgrade.				
Average conditional non-wage recurrent grants for education services per beneficiary for the 20 least funded Districts per child of school going age	FY2019/20 Budget Education - UGX per child of school going age	Annual	Annual Budget	OTIMS	MoFPED
Average conditional non-wage recurrent grants for health services per beneficiary for the 20 least funded Districts per capita	FY2019/20 Budget Health, UGX per capita	Annual	Annual Budget	OTIMS	MoFPED
Enhanced, equitable formula for conditional non-wage recurrent grants in education phased in as per plan		Annual	Annual Budget	OTIMS	MoFPED
Enhanced, equitable formula for conditional non-wage recurrent grants in health phased in as per plan		Annual	Annual Budget	OTIMS	MoFPED
Number of services delivery structures constructed or rehabilitated in the 30 least served districts in education: no of structures in the districts with lowest enrollment	Number of structures built	Annual	Annual Budget Perf. Report	OBT / PBS	MoFPED
Number of services delivery structures constructed or rehabilitated in the 30 least served districts in health: no of health facilities in the districts with highest population per health facility	2018/19 Outturn. Note: This is an estimate based on 17/32 LGs reporting 84 structures being built.	Annual	Annual Budget Perf. Report	OBT / PBS	MoFPED
Enhanced, equitable formula for conditional development grants in education implemented as planned		Annual	Annual Budget	OTIMS	MoFPED



Enhanced, equitable formula for conditional development grants in health implemented as planned		Annual	Annual Budget	OTIMS	MoFPED
Annual performance assessments of LGs completed	Percent of LGs	APA / OPAMS	Taken place for all HLGs	OPM	LGPA Task Force
Number of performance improvement plans prepared for LGs	Number of LGs and thematic areas	Annual	Annual Budget Perf. Report	Signed PIPs	MoLG
Value for Money audit completed		First and last year of Program	VfM audit Report	Report	MoLG

Disbursement Linked Indicators Matrix

DLI 1	DLI 1.1. Adequacy and equity of wage and non-wage recurrent financing of local service delivery improves in line with the medium term plan for financing Local Government service delivery - Wage			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Outcome	Yes	Text	49,000,000.00	0.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	Limited increases in wage recurrent allocations and a lack of objective allocation principles and formulae for conditional grants, with allocations not linked to costs of service delivery.			
Prior Results			0.00	



by end June 2018		0.00	
by end June 2019		0.00	
by end September 2020	DLR1#1.1.20: 2020/21 Approved Budget and MTEF wage recurrent allocations are consistent with plans in the MTP for (a) staffing critical positions to in higher LG departments and in LLGs (b) staffing of any newly constructed/upgraded facilities to agreed minimum levels, and (c) releases are publicly available online for the following areas: Critical LG departmental and LLG staff.	1,000,000.00	\$1m LG
by end June 2021	DLR1#1.1.21: 2021/22 Approved Budget and MTEF wage recurrent allocations are consistent with plans in the MTP for (a) increasing staff by specified numbers in the least staffed LGs and staffing critical positions in higher LG departments and in lower LGs (b) staffing of any newly constructed/upgraded facilities to agreed minimum levels and (c) a specified number of staff being transitioned on to the payroll in line with agreed plans in refugee hosting LGs, and (d) at least an agreed percentage of planned recruitment for 2020/21 has been completed, with new staff on the payroll, for the following areas: education; health; critical LG departmental and LLG staff.	8,000,000.00	\$4m Education, \$2m Health, \$2m LG
by end June 2022	DLR#1.1.22: 2022/23 Approved Budget and MTEF wage recurrent allocations are consistent with plans in the MTP for (a) increasing staff by specified numbers in the least staffed LGs and staffing critical positions in higher LG	28,000,000.00	\$18m Education, \$8m Health, \$2m LG



	departments and in lower LGs (b) staffing of any newly constructed/upgraded facilities to agreed minimum levels and (c) a specified number of staff being transitioned on to the payroll in line with agreed plans in refugee hosting LGs, and (d) at least an agreed percentage of planned recruitment for 2021/22 has been completed, with new staff on the payroll, for the following areas: education; health; critical LG departmental and LLG staff.		
by end June 2023	DLR#1.1.23: 2023/24 Approved Budget and MTEF wage recurrent allocations are consistent with plans in the MTP for (a) increasing staff by specified numbers in the least staffed LGs and staffing critical positions in higher LG departments and in lower LGs (b) staffing of any newly constructed/upgraded facilities to agreed minimum levels and (c) a specified number of staff being transitioned on to the payroll in line with agreed plans in refugee hosting LGs, and (d) at least an agreed percentage of planned recruitment for 2022/23 has been completed, with new staff on the payroll, for the following areas: education; health, including central allocations to essential medical supplies; critical LG departmental and LLG staff.	12,000,000.00	\$5m Education, \$5m Health, \$2m LG
Action: This DLI is New			



DLI 1.1	DLI.1.2: Adequacy and equity recurrent financing of local service delivery improves in line with the medium term plan for financing Local Government service delivery - Non Wage.			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Outcome	Yes	Text	51,000,000.00	0.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	Limited increases in non-wage recurrent allocations and a lack of objective allocation principles and formulae for conditional grants, with allocations not linked to costs of service delivery.			
Prior Results			0.00	
by end June 2018			0.00	
by end June 2019			0.00	
by end September 2020	DLR#1.2.20: 2020/21 Approved Budget and MTEF allocations are for non-wage recurrent financing of service delivery a) are consistent with the MTP, b) are based on an agreed formula whose underlying data is publicly available, and c) at least 97% of 2019/20 budgeted transfers are released to all LGs and releases publicly available online, for the following area: water and environment.		3,000,000.00	\$3m Water and Environment
by end June 2021	DLR#1.2.21: 2021/22 Approved Budget and MTEF allocations for non-wage recurrent financing of service delivery a) are consistent with the MTP, b) are based on an agreed formula whose underlying data is publicly available, and		6,000,000.00	\$2m Education; \$3m Health; \$1m Water and Environment



	c) at least 97% of 2020/21 budgeted transfers are released to all LGs and releases publicly available online, for the following areas: education; health, including central allocations to essential medical supplies; water and environment.		
by end June 2022	DLR#1.2.22: 2022/23 Approved Budget and MTEF allocations are for non-wage recurrent financing of service delivery a) are consistent with the MTP, b) are based on an agreed formula whose underlying data is publicly available, and c) at least 97% of 2021/22 budgeted transfers are released to all LGs and releases publicly available online, for the following areas: education; health, including central allocations to essential medical supplies; water and environment.	23,000,000.00	\$14m Education; \$8m Health; \$1m Water and Environment.
by end June 2023	DLR#1.2.23 2023/24 Approved Budget and MTEF allocations are for non-wage recurrent financing of service delivery a) are consistent with the MTP, b) are based on an agreed formula whose underlying data is publicly available, and c) at least 97% of 2022/23 budgeted transfers are released to all LGs and releases publicly available online, for the following areas: education; health, including central allocations to essential medical supplies; water and environment.	19,000,000.00	\$10m Education; \$8m Health; \$1m Water and Environment.
Action: This DLI is New			



DLI 2	DLI 2. Adequacy and targeting of development financing for service delivery infrastructure and equipment improves and is linked to performance in education, health, water & env, irrigation and DDEG			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Outcome	Yes	Text	84,000,000.00	0.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	2017/18 budget allocations for conditional health sector development grants and transitional development grants were ad hoc and not linked to performance. Values of grants had stagnated			
Prior Results			0.00	
by end June 2018			0.00	
by end June 2019			0.00	
by end September 2020	DLR#2.20 2020/21 Approved Budget and MTEF allocations for development grants for service delivery a) are consistent allocations to grant components within the MTP, b) at least one component is based on an agreed formula, c) the formula based component is linked to performance as specified in the POM, and d) at least 97% of 2019/20 budgeted transfers are released to all LGs, with releases publicly available online for the following areas: water and environment; Irrigation, for (a), (b) only, with allocations for preparatory activities only; the DDEG, for (b) and (c).		6,000,000.00	\$3m water, \$2m irrigation; \$1m DDEG



by end June 2021	DLR#2.21 2021/22 Approved Budget and MTEF allocations for development grants for service delivery a) are consistent allocations to grant components within the MTP, b) at least one component is based on an agreed formula, c) the formula based component is linked to performance as specified in the POM, and d) at least 97% of 2020/21 budgeted transfers are released to all LGs, with releases publicly available online, for the following sectors: water and environment; irrigation, excluding (c), with allocations for full implementation in 40 districts; the DDEG, for (b) and (c) only.	16,000,000.00	\$3m water, \$10m irrigation; \$3m DDEG
by end June 2022	DLR#2.22 2022/23 Approved Budget and MTEF allocations for development grants for service delivery a) are consistent allocations to grant components within the MTP, b) at least one component is based on an agreed formula, c) the formula based component is linked to performance as specified in the POM, and d) releases publicly available online for the following sectors: education; health; water and environment; irrigation with allocations for full implementation in 40 districts and for preparatory activities for the second phase of LGs; the DDEG, for (b) and (c) only.	23,000,000.00	\$6m edu, \$4m health, \$5m water, \$5m irrigation, \$3m DDEG
by end June 2023	DLR#2.23 2023/24 Approved Budget and MTEF allocations for development grants for service delivery a) are consistent allocations to grant components within the MTP, b) at least one component is based on an agreed formula, c) the formula based component is linked to	39,000,000.00	\$6m edu, \$4m health, \$3m water, \$23m irrigation, \$3m DDEG



	performance as specified in the POM, and d) at least 97% of 2022/23 budgeted transfers are released to all LGs with releases publicly available online for the following areas: education; health; water and environment; irrigation, with allocations in full to the first and second phase of LGs; the DDEG, for (b) and (c) only.			
Action: This DLI is New	Rationale: <i>Full DLI 2 reads as "DLI 2. Adequacy and targeting of development financing for service delivery infrastructure and equipment improves and is linked to performance in the education, health, water & environment, irrigation and the DDEG sectors, as applicable"</i>			
DLI 3	DLI 3. Number of key actions from Local Service Delivery Improvement Matrix that take place intended to improve systems, processes, capacity for improved service delivery within and across sectors.			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	Yes	Number	32,000,000.00	0.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	0.00			
Prior Results	10.00		10,000,000.00	\$1m per action completed
by end June 2018			0.00	
by end June 2019			0.00	
by end September 2020			0.00	
by end June 2021			0.00	



by end June 2022			0.00	
by end June 2023	22.00		22,000,000.00	\$1m per action completed
Action: This DLI is New	<p>Rationale: DLR#3.20. By the end of June 2023, 32 key actions from Service Delivery Improvement Matrix that have been completed where for each action completed the following is true: (a) the action completed is represented by a distinct row in the Service Delivery Improvement Matrix; (b) a definition of completion and evidence required for verification has been specified in the POM for that action; and (c) The action has been completed in a way that is consistent with the definition in the POM and the responsible MDA has reported on that completion of that activity to OPM and provided supporting evidence in line with the requirements of the POM. Note: DLR 2.0 applies to all time periods, including prior results.</p>			
DLI 4	DLI 4 Central Gov core functions in oversight, guidance, performance assessment, improvement, monitoring, technical support to LG service delivery take place in edu, health, water, irrigation, x cut			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	Yes	Text	36,000,000.00	0.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	No assessment of the performance by central government coordination, oversight, performance assessment and support. Central government did not have a system of assessing LG performance and improvement planning			
Prior Results			0.00	
by end June 2018			0.00	
by end June 2019			0.00	



by end September 2020		0.00	
by end June 2021	DLR#4.21 Central MDAS carry out their core functions in the oversight of service delivery in 2020/21 to agreed levels including a) essential guidance, b) performance assessment and improvement support, and c) routine review of workplans, budgets and reports, monitoring of service delivery and construction and safeguarding requirements, in the following areas: water and environment and Irrigation.	4,000,000.00	\$2m water, \$2m irrigation
by end June 2022	DLR#4.22 Central MDAS carry out their core functions in the oversight of service delivery in 2021/22 to agreed levels including a) essential guidance, b) performance assessment and improvement support, and c) routine review of workplans, budgets and reports, monitoring of service delivery and construction and safeguarding requirements, in the following areas: crosscutting; education; health; water and environment; Irrigation.	16,000,000.00	\$4m xcutting, \$4m edu, \$4m health, \$2m water, \$2m irrigation
by end June 2023	DLR#4.23 Central MDAS carry out their core functions in the oversight of service delivery to agreed levels in 2022/23 including a) essential guidance, b) performance assessment and improvement support, and c) routine oversight, performance information, monitoring of service delivery and construction and safeguarding requirements, in the following areas: crosscutting, education, health, water and environment, and Irrigation.	16,000,000.00	\$4m xcutting, \$4m edu, \$4m health, \$2m water, \$2m irrigation
Action: This DLI is New	Rationale:		



	<i>Full DLI 4 reads as "DLI 4. Central Government core functions in oversight, guidance, performance assessment and improvement, monitoring and technical support to LG service delivery take place in education, health, water & environment and irrigation sectors and cross cutting, as applicable"</i>			
DLI 5	DLI 5. LG management of service delivery is strengthened overall and for the weakest performing Local Governments in education, health, water & environment, and irrigation sectors and cross cutting			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Outcome	Yes	Text	22,000,000.00	0.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	No performance assessment in place.			
Prior Results			0.00	
by end June 2018			0.00	
by end June 2019			0.00	
by end September 2020	DLR#5.20 In the 2019/20 performance assessment of the LG management of services and delivery of infrastructure a) average scores improve overall and b) the average ranking for a specified number of the weakest performing LGs improves in comparison to the previous assessment in each of the following area:Crosscutting, 20 LGs.		2,000,000.00	\$2m xcutting
by end June 2021	DLR#5.21 In the 2020/21 performance assessment of the LG management of services and delivery of infrastructure a) the number of LGs that have met the minimum conditions has		4,000,000.00	\$2m xcutting, \$1m water



	reached the level specified in the POM; and b) the average ranking for a specified number of the weakest performing LGs improves in comparison to the previous assessment in each of the following areas: crosscutting, 20 LGs; water and environment, 5 LGs.		
by end June 2022	DLR#5.22 In the 2021/22 performance assessment of the LG management of services and delivery of infrastructure a) the number of LGs that have met the minimum conditions has reached the level specified in the POM and has not declined; and b) the average ranking for a specified number of the weakest performing LGs improves in comparison to the previous assessment in each of the following area: crosscutting, 20 LGs; health, 5 LGs; education, 5 LGs; water and environment, 5 LGs; irrigation, 5 LGs.	8,000,000.00	\$2m xcutting, \$2m edu, \$2m health, \$1m water, \$1m Irrigation
by end June 2023	DLR#5.23 In the 2022/23 performance assessment of the LG management of services and delivery of infrastructure a) the number of LGs that have met the minimum conditions has reached the level specified in the POM and has not declined; and b) the average ranking for a specified number of the weakest performing LGs improves in comparison to the previous assessment in each of the following area: crosscutting, 20 LGs; health, 5 LGs; education, 5 LGs; water and environment, 5 LGs; Irrigation, 5 LGs.	8,000,000.00	\$2m xcutting, \$2m edu, \$2m health, \$1m water, \$1m Irrigation
Action: This DLI is New	Rationale: Full DLI 5 reads as "DLI 5. LG management of service delivery is strengthened overall and for the weakest performing		



	<i>Local Governments in the education, health, water & environment, and irrigation sectors and cross cutting, as applicable"</i>			
DLI 6	DLI 6. Service delivery performance is strengthened overall and for the weakest performing facilities and sub-counties			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Intermediate Outcome	Yes	Text	27,000,000.00	0.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	No Service Delivery Assessments in Place			
Prior Results			0.00	
by end June 2018			0.00	
by end June 2019			0.00	
by end September 2020			0.00	
by end June 2021	DLR#6.21 Service delivery performance is a) assessed in 2020/21: a sample of LLGs; and a sample of sub counties for water.		2,000,000.00	\$1m LLGs; \$1m water
by end June 2022	DLR#6.22 Service delivery performance is a) assessed in 2021/22, b) performance improves on average overall and c) in facilities/LLGs with weakest performance when compared to the previous LGs in: a sample of LLGs; a sample of primary schools; all health center IIIs and IVs; a sample of sub-counties for water and; sub-counties benefiting from irrigation grants - (a) only.		11,000,000.00	\$2m LLGs \$2m edu, \$5m health; \$1m water, \$1m irrigation



by end June 2023	DLR#6.23 Service delivery performance is a) assessed in 2022/23, b) performance improves overall and c) in facilities/LLGs/areas with weakest performance compared to the previous assessment in: a sample of LLGs for crosscutting, education and health; a sample of primary schools; all health center IIIs and IVs; a sample of sub-counties for water and; sub-counties benefiting from irrigation grants.		14,000,000.00	\$2m LLGs \$5m educ, \$5m health; \$1m water, \$1m irrigation
Action: This DLI is New				
DLI 7	DLI 1.1: Annual increase in budget allocation to sector conditional grants (wage, non-wage recurrent, and development to LGs for education services.			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Process	No	Text	20,000,000.00	0.04
Period	Value		Allocated Amount (USD)	Formula
Baseline	Allocations to conditional grants for the education sector is planned at 1,419 UGX billion for 2017/18			
Prior Results			0.00	
by end June 2018	DLR # 1.1.1: Medium-term plan (MTP) for increasing budget allocations to the transfers reflected in the MTEF and the approved budget with allocations to education sector conditional grants for 2018/19 at least 6 percent higher than in 2017/18		4,000,000.00	
by end June 2019	DLR # 1.1.2: MTP for increasing budget allocations to the transfers reflected in the MTEF		4,000,000.00	



	and the approved budget with allocations to education sector conditional grants for 2019/20 at least 10 percent higher than in 2018/19			
by end September 2020	DLR # 1.1.3: MTP for increasing budget allocations to the transfers reflected in the MTEF and the approved budget with allocations to education sector conditional grants for 2020/21 at least 7 percent higher than in 2019/20	4,000,000.00		
by end June 2021	DLR # 1.1.4: MTP for increasing budget allocations to the transfers reflected in the MTEF and the approved budget with allocations to education sector conditional grants for 2021/22 at least 7 percent higher than in 2020/21	4,000,000.00		
by end June 2022	DLR # 1.1.5: MTP for increasing budget allocations to the transfers reflected in the MTEF and the approved budget with allocations education sector conditional grants for 2022/23 not lower than in 2021/22	4,000,000.00		
by end June 2023		0.00		
Action: This DLI has been Marked for Deletion				
DLI 8	DLI 1.2: Enhanced, equitable formula for operational grants in education phased in as planned			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Intermediate Outcome	No	Text	70,000,000.00	0.14
Period	Value		Allocated Amount (USD)	Formula
Baseline	Enhanced formula drafted but not implemented.			



Prior Results		0.00	
by end June 2018	DLR # 1.2.1: Enhanced formula and phase in plan adopted and the 2018/19 budget allocations consistent with formula phase in plan and publicly available online. 2017/18 releases publicly available online.	14,000,000.00	
by end June 2019	DLR # 1.2.2: 2019/20 budget allocations consistent with formula phase in plan, and publicly available online. At least 97% of 2018/19 budgeted transfers are released to all LGs. Releases publicly available online.	14,000,000.00	
by end September 2020	DLR # 1.2.3: 2020/21 budget allocations are consistent with formula phase in plan, and publicly available online; performance incentives are in place. At least 97% of 2019/20 budgeted transfers are released to all LGs. Releases publicly available online.	14,000,000.00	
by end June 2021	DLR # 1.2.4: 2021/22 budget allocations are consistent with formula phase in plan, and publicly available online; performance incentives are in place. At least 97% of 2020/21 budgeted transfers are released to all LGs. Releases publicly available online.	14,000,000.00	
by end June 2022	DLR # 1.2.5: 2022/23 budget allocations are consistent with formula phase in plan, and publicly available online; performance incentives are in place. At least 97% of 2021/22 budgeted transfers are released to all LGs. Releases publicly available online.	14,000,000.00	
by end June 2023		0.00	



<i>Action: This DLI has been Marked for Deletion</i>				
DLI 9	DLI 1.3: Enhanced, equitable formula for development grants in education implemented as planned			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Intermediate Outcome	No	Text	30,000,000.00	0.06
Period	Value		Allocated Amount (USD)	Formula
Baseline	2017/18 budget allocations in line with formula without performance element and publicly available online. 2016/17 budget disbursements are available online (in document form) are available online.			
Prior Results			0.00	
by end June 2018	DLR # 1.3.1: 2018/19 budget allocations are in line with enhanced formula and phase in plan, linked to performance assessment results and publicly available online. The 2017/18 transfers are available online.		6,000,000.00	
by end June 2019	DLR # 1.3.2: 2019/20 budget allocations are in line with enhanced formula and phase in plan, linked to performance assessment results and publicly available online. At least 97% of 2018/19 budgeted transfers are released to all LGs which meet accountability requirements. Releases are publicly available online.		6,000,000.00	
by end September 2020	DLR # 1.3.3: 2020/21 budget allocations are in line with enhanced formula and phase in plan, linked to performance assessment results and publicly available online. At least 97% of 2019/20		6,000,000.00	



	budgeted transfers are released to all LGs which meet accountability requirements. Releases are publicly available online.			
by end June 2021	DLR # 1.3.4: 2021/22 budget allocations are in line with enhanced formula and phase in plan, linked to performance assessment results and publicly available online. At least 97% of 2020/21 budgeted transfers are released to all LGs which meet accountability requirements. Releases are publicly available online.		6,000,000.00	
by end June 2022	DLR # 1.3.5: 2022/23 budget allocations are in line with enhanced formula and phase in plan, linked to performance assessment results and publicly available online. 97% of 2021/22 budgeted transfers are released to all LGs which meet accountability requirements. Releases are publicly available online		6,000,000.00	
by end June 2023			0.00	
Action: This DLI has been Marked for Deletion				
DLI 10	DLI 1.4: The quality of fiscal management of education resources by LGs is maintained			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Intermediate Outcome	No	Text	10,000,000.00	0.02
Period	Value		Allocated Amount (USD)	Formula
Baseline	No performance assessment. Grant guidelines do not address all fiduciary, environmental and social risks.			



Prior Results		0.00	
by end June 2018	DLR # 1.4.1: Guidelines at the LG and school level updated, addressing fiduciary, environmental and social risks and grievance redress.	2,000,000.00	
by end June 2019	DLR # 1.4.2: The average score on the education resources management in the annual performance assessment is not lower than in 2017/18	2,000,000.00	
by end September 2020	DLR # 1.4.3: The average score on the education resources management in the annual performance assessment and the average score of the 20 worst LGs are both not lower than in 2018/19.	2,000,000.00	
by end June 2021	DLR # 1.4.4: The average score on the education resources management in the annual performance assessment and the average score of the 20 worst LGs are both not lower than in 2019/20.	2,000,000.00	
by end June 2022	DLR # 1.4.5: The average score on the education resources management in the annual performance assessment and the average score of the 20 worst LGs are both not lower than in 2020/21	2,000,000.00	
by end June 2023		0.00	
Action: This DLI has been Marked for Deletion			



DLI 11	DLI 2.1: Annual increase in budget allocation to sector conditional grants (wage, non-wage recurrent, and development) to LGs for health services.			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Intermediate Outcome	No	Text	10,000,000.00	0.02
Period	Value		Allocated Amount (USD)	Formula
Baseline	Allocations to sector conditional grants for the Health sector is planned at 336 UGX billion for 2017/18			
Prior Results			0.00	
by end June 2018	DLR # 2.1.1: MTP for increasing budget allocations to the transfers reflected in the approved budget and MTEF with allocations to health sector conditional grants for 2018/19 at least 21 percent higher than in 2017/18		2,000,000.00	
by end June 2019	DLR # 2.1.2: MTP for increasing budget allocations to the transfers reflected in the approved budget and MTEF with allocations to health sector conditional grants for 2019/20 at least 11 percent higher than in 2018/19		2,000,000.00	
by end September 2020	DLR # 2.1.3: MTP for increasing budget allocations to the transfers reflected in the approved budget and MTEF with allocations to health sector conditional grants for 2020/21 at least 10 percent higher than in 2019/20		2,000,000.00	
by end June 2021	DLR # 2.1.4: MTP for increasing budget allocations to the transfers reflected in the approved budget and MTEF with allocations to health sector conditional grants for 2021/22 at		2,000,000.00	



	least 9 percent higher than in 2020/21			
by end June 2022	DLR # 2.1.5: MTP for increasing budget allocations to the transfers reflected in the approved budget and MTEF with allocations health sector conditional grants for 2022/23 not lower than in 2021/22		2,000,000.00	
by end June 2023			0.00	
Action: This DLI has been Marked for Deletion				
DLI 12	DLI 2.2: Enhanced, equitable formula for operational grants in health phased in as planned.			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Intermediate Outcome	No	Text	20,000,000.00	0.04
Period	Value		Allocated Amount (USD)	Formula
Baseline	2016/17 budget releases are available online in document form only.			
Prior Results			0.00	
by end June 2018	DLR # 2.2.1: Enhanced formula and phase in plan adopted and the 2018/19 budget allocations consistent with formula phase in plan and publicly available online. 2017/18 releases publicly available online.		4,000,000.00	
by end June 2019	DLR # 2.2.2: 2019/20 budget allocations consistent with formula phase in plan, and publicly available online. At least 97% of 2018/19 budgeted transfers are released to all LGs. Releases publicly available online.		4,000,000.00	



by end September 2020	DLR # 2.2.3: 2020/21 budget allocations are consistent with formula phase in plan, and publicly available online; performance incentives are in place. At least 97% of 2019/20 budgeted transfers are released to all LGs. Releases publicly available online.			4,000,000.00
by end June 2021	DLR # 2.2.4: 2021/22 budget allocations are consistent with formula phase in plan and publicly available online; performance incentives are in place. At least 97% of 2020/21 budgeted transfers are released to all LGs. Releases publicly available online.			4,000,000.00
by end June 2022	DLR # 2.2.5: 2022/23 budget allocations are consistent with formula phase in plan, and publicly available online; performance incentives are in place. At least 97% of 2021/22 budgeted transfers are released to all LGs. Releases publicly available online.			4,000,000.00
by end June 2023				0.00
Action: This DLI has been Marked for Deletion				
DLI 13	DLI 2.3: Enhanced, equitable formula for development grants in health implemented as planned.			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Intermediate Outcome	No	Text	15,000,000.00	0.03
Period	Value		Allocated Amount (USD)	Formula
Baseline	2017/18 no budget allocations for conditional health sector development grants and transitional development grants were ad hoc.			



	2016/17 budget disbursements are available online (in document form) are available online.		
Prior Results		0.00	
by end June 2018	DLR # 2.3.1: 2018/19 budget allocations are in line with enhanced formula and phase in plan, linked to performance assessment results and publicly available online. The 2017/18 transfers are available online.	3,000,000.00	
by end June 2019	DLR # 2.3.2: 2019/20 budget allocations are in line with enhanced formula and phase in plan, linked to performance assessment results and publicly available online. At least 97% of 2018/19 budgeted transfers are released to all LGs which meet accountability requirements. Releases and are publicly available online.	3,000,000.00	
by end September 2020	DLR # 2.3.3: 20120/21 budget allocations are in line with enhanced formula and phase in plan, linked to performance assessment results and publicly available online. At least 97% of 2019/20 budgeted transfers are released to all LGs which meet accountability requirements. Releases are publicly available online.	3,000,000.00	
by end June 2021	DLR # 2.3.4: 2021/22 budget allocations are in line with enhanced formula and phase in plan, linked to performance assessment results and publicly available online. At least 97% of 2020/21 budgeted transfers are released to all LGs which meet accountability requirements. Releases are publicly available online.	3,000,000.00	
by end June 2022	DLR # 2.3.5: 2022/23 budget allocations are in line with enhanced formula and phase in plan,	3,000,000.00	



	linked to performance assessment results and publicly available online. 97% of 2021/22 budgeted transfers are released to all LGs which meet accountability requirements. Releases are publicly available online.			
by end June 2023			0.00	
Action: This DLI has been Marked for Deletion				
DLI 14	DLI2.4: The quality of fiscal management of health resources by LGs is maintained.			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Intermediate Outcome	No	Text	10,000,000.00	0.02
Period	Value		Allocated Amount (USD)	Formula
Baseline	No performance assessment Grant guidelines do not address all fiduciary, environmental and social risks.			
Prior Results			0.00	
by end June 2018	DLR # 2.4.1: Grant guidelines at the LG and facility level updated, addressing fiduciary, environmental and social risks and grievance redress.		2,000,000.00	
by end June 2019	DLR # 2.4.2: The average score on the health resources management in the annual performance assessment is not lower than in 2017/18		2,000,000.00	
by end September 2020	DLR # 2.4.3: The average score on the health resources management in the annual		2,000,000.00	



	performance assessment and the average score of the 20 worst LGs are both not lower than in 2018/19.			
by end June 2021	DLR # 2.4.4: The average score on the health resources management in the annual performance assessment and the average score of the 20 worst LGs are both not lower than in 2019/20.		2,000,000.00	
by end June 2022	DLR # 2.4.5: The average score on the health resources management in the annual performance assessment and the average score of the 20 worst LGs are both not lower than in 2020/21		2,000,000.00	
by end June 2023			0.00	
Action: This DLI has been Marked for Deletion				
DLI 15	DLI 3: Assessment and Targeted Performance Improvement of the Fiscal Management by LGs.			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Intermediate Outcome	No	Text	15,000,000.00	0.03
Period	Value		Allocated Amount (USD)	Formula
Baseline	a) Performance Assessment Pilot performance assessment conducted. Initial assessment manual prepared and approved b) Performance Improvement No Performance Improvement Plans. c) VfM Audit No VfM Audit			
Prior Results			0.00	



by end June 2018	DLR # 3.1: Annual performance assessment of 2016/17 is conducted, validated and publically disseminated. Performance Improvement Plans prepared for and agreed with at least 5 local governments and in 1 thematic areas of underperformance.	3,000,000.00	
by end June 2019	DLR # 3.2: Annual performance assessment of 2017/18 is conducted, validated and publically disseminated. Assessment manual for assessment of FY 2018/19 onwards updated and disseminated to take into account updated procedures in grant manuals and agreed additional performance parameters. Performance Improvement Plans prepared for and agreed with at least 20 local governments and in 2 thematic areas of underperformance. A VfM audit of 2017/18 is conducted in a sample of local governments' expenditures in health and education.	3,000,000.00	
by end September 2020	DLR # 3.3: Annual performance assessment of 2018/19 using updated manual is conducted, validated and publically disseminated. Performance Improvement Plans prepared for and agreed with at least 20 local governments and in 2 thematic areas of underperformance.	3,000,000.00	
by end June 2021	DLR # 3.4: Annual performance assessment of 2019/20 using updated manual is conducted, validated and publically disseminated. Performance Improvement Plans prepared for and agreed with at least 20 local governments and in 2 thematic areas of underperformance.	3,000,000.00	



by end June 2022	DLR # 3.5: Annual performance assessment of 2020/21 using updated manual is collected, validated and publically disseminated. Performance Improvement Plans prepared for and agreed with at least 20 local governments and in 2 thematic areas of underperformance.	3,000,000.00	
by end June 2023		0.00	
Action: This DLI has been Marked for Deletion			

Verification Protocol Table: Disbursement Linked Indicators

DLI 1	DLI 1.1. Adequacy and equity of wage and non-wage recurrent financing of local service delivery improves in line with the medium term plan for financing Local Government service delivery - Wage
Description	<p>FY1 Annual Budget and outer year MTEF allocations to wage recurrent grants, excluding salary increases, in the specified sectors/areas are at least as high as what is required, as set out in the MTP in the POM <i>and</i> LGs have been guided:</p> <ul style="list-style-type: none"> (a) to increase staff by specified numbers in the least staffed LGs and to staff critical positions in higher local government departments and in lower local governments; (b) to staff newly upgraded facilities to specified levels; (c) to transition a specified number of staff onto the LG payroll in refugee hosting LGs; and (d) In executing the FY0 budget at least the agreed percentages of staff in the POM of planned staff to be recruited for FY0 (for DLR1#1.1.21 onwards) and FY-1 (for DLR1#1.1.22 onwards) have accessed the payroll and releases are available online on OTIMS or equivalent (all DLRs). <p>If (a) to (c) are not achieved during FY0 then they can be achieved in FY1. In FY1 (a) to (c) are achieved through a supplementary budget during FY1. If (d) is not achieved for FY0 it is achieved if (d) is achieved for FY1. Subsequently (d) for FY0 cannot be achieved.</p>



	For each sector area: If any of (a) to (c) not achieved no disbursement; if (d) not achieved a 20% reduction will be applied.
Data source/ Agency	<p>MTP allocations and staffing targets from the POM</p> <p>Communication showing approved data, formula and phase in plan signed by PS of the sector ministry</p> <p>Budget Call Circular or equivalent circular providing guidance on number of staff and purpose to be recruited in individual LGs.</p> <p>GoU Approved Budget for grants for FY0 and FY1 and MTEF accompanying the approved budget.</p> <p>LG Payroll Data showing additional staff accessing payroll.</p> <p>OTIMS or equivalent official website containing required information</p>
Verification Entity	LGFC
Procedure	<p>At the time of the first and second budget calls and the draft budget MoFPED checks that DLR 1.1. (a) to (d) and DLR 1.2. (a) to (c) are true and documentary evidence in place using the guidance in the POM and ensure that the approved budget remains consistent.</p> <p>After the close of the financial year MoFPED reports on DLR 1.1 (a) - (e) and DLR 1.2 (a) to (d) as specified in the POM and submits a report to IFT-TC.</p> <p>LGFC reviews report and advises IFT-TC on whether the DLR is met in each of the specified sectors.</p>
DLI 1.1	DLI.1.2: Adequacy and equity recurrent financing of local service delivery improves in line with the medium term plan for financing Local Government service delivery - Non Wage.
Description	<p>For non-wage recurrent allocations:</p> <p>(a) The allocations for conditional grants and grant windows to all LGs and specified central government budget lines in</p>



	<p>each sector in the approved (or revised) budget for FY1 and the MTEF are at least as high as the respective allocations in the MTP for those grants and individual grant windows and central budget lines.</p> <p>(b) Individual LG budget allocations to the Non-Wage Recurrent Conditional Grants for FY1 are calculated using an approved formula and mathematical principles set out in the POM. Population based allocation variables used in the formulae include refugee populations in refugee hosting LGs in the formulae. The formula is stated in the POM and in the Annual Budget Estimates for or equivalent for FY1. The grant allocations and data for all variables on which are used in computation of formula shares for FY1 <i>and</i> the list of cost centers are publicly available online on OTIMS or equivalent. Allocations accommodate the costs of the implementation of service delivery improvement frameworks and linkage to performance as specified in the POM.</p> <p>(c) Grant releases for FY0 are at least 97% of the approved budget for that LG and are publicly available on OTIMS or equivalent</p> <p>For each sector/area: If (a) or (c) are not achieved during FY0 then they can be achieved in FY1. In FY1 (a) to (c) are achieved through a supplementary budget during FY1. In FY1, (c) is achieved through both a supplementary budget during FY1 of the equivalent of the value of any shortfall in releases to each LGs in FY0 and (c) being achieved for FY1 for the resulting revised budget.</p> <p>For each sector/area: for DLR#1.2.20 if any of (a) or (b) not achieved no disbursement; for DLR#1.2.21 onwards, if any of (a) to (b) not achieved no disbursement; for all DLRs, if (d) not achieved a 20% reduction will be applied.</p>
Data source/ Agency	<p>MTP allocations and staffing targets, approved formula and maths underlying formulae and phase in (consistent with OTIMs) from the POM</p> <p>Communication showing approved formula and phase in plan signed by PS of the sector ministry</p> <p>Budget Call Circular or equivalent circular providing guidance on LG recruitment.</p> <p>GoU Approved Budget for grants for FY0 and FY1 and MTEF accompanying the approved budget.</p> <p>MOFPED release circulars</p>



	OTIMS or equivalent official website containing required information
Verification Entity	LGFC
Procedure	<p>At the time of the first and second budget calls and the draft budget MoFPED checks that DLR 1.1. (a) to (d) and DLR 1.2. (a) to (c) are true and documentary evidence in place using the guidance in the POM and ensure that the approved budget remains consistent.</p> <p>After the close of the financial year MoFPED reports on DLR 1.1 (a) - (e) and DLR 1.2 (a) to (d) as specified in the POM and submits a report to IFT-TC.</p> <p>LGFC reviews report and advises IFT-TC on whether the DLR is met in each of the specified sectors.</p>
DLI 2	DLI 2. Adequacy and targeting of development financing for service delivery infrastructure and equipment improves and is linked to performance in education, health, water & env, irrigation and DDEG
Description	<p>For development allocations:</p> <p>(a) The allocations for conditional grants to all LGs in each sector in the approved (or revised) budget for FY1 and the outer years of the MTEF are at least as high as the respective allocations in the MTP for those grants <i>and</i> the formula-based windows must be at least as high as the allocations specified for those windows in the MTP.</p> <p>(b) Individual LG budget allocations to Conditional Grants for FY1 for formula based windows are calculated using an approved formula and mathematical principles set out in the POM. Population based allocation variables used in the formulae include refugee populations in refugee hosting LGs in the formulae. The formula is stated in the POM and in the Annual Budget Estimates for or equivalent for FY1. The grant allocations and data for all variables on which are used in computation of formula shares for FY1 are publicly available online on OTIMS or equivalent. For grant windows based on allocation principles, those principles have been applied.</p> <p>(c) The results of the annual performance assessment are linked to at least 40% of the formula based window of grant allocations.</p> <p>(d) Releases to all grants and grant windows for FY0 are at least 97% of the approved budget for that LG and are publicly available on OTIMS or equivalent.</p>



	<p>For each sector/area: If (a) to (c) are not achieved during FY0 then they can be achieved in FY1. In FY1 (a) to (c) are achieved through a supplementary budget during FY1. In FY1, (d) is achieved through both a supplementary budget during FY1 of the equivalent of the value of any shortfall in releases in FY0 and (d) being achieved for FY1 for the resulting revised budget.</p> <p>For each sector/area: If any of (a) to (c) not achieved no disbursement; if (d) not achieved a 20% reduction will be applied.</p>
Data source/ Agency	<p>MTP allocations and staffing targets, approved formula and maths underlying formulae and phase in (consistent with OTIMs) from the POM</p> <p>Communication showing approved formula and phase in plan signed by PS of the sector ministry</p> <p>GoU Approved Budget for grants for FY0 and FY1 and MTEF accompanying the approved budget.</p> <p>MOFPED release circulars</p>
Verification Entity	LGFC
Procedure	<p>At the time of the first and second budget calls and the draft budget MoFPED checks that DLR 1.1. (a) to (d) and DLR 1.2. (a) to (c) are true and documentary evidence in place using the guidance in the POM and ensure that the approved budget remains consistent.</p> <p>After the close of the financial year MoFPED reports on DLR 1.1 (a) - (e) and DLR 1.2 (a) to (d) as specified in the POM and submits a report to IFT-TC.</p> <p>LGFC reviews report and advises IFT-TC on whether the DLR is met in each of the specified sectors.</p>
DLI 3	DLI 3. Number of key actions from Local Service Delivery Improvement Matrix that take place intended to improve systems, processes, capacity for improved service delivery within and across sectors.
Description	The number of key actions from Service Delivery Improvement Matrix that have been completed where for each action completed the following is true:



	<p>(a) The action completed is represented by a distinct row in the Service Delivery Improvement Matrix;</p> <p>(b) A definition of completion and evidence required for verification of completed has been specified in the POM for that action; and</p> <p>(c) The action has been completed in a way that is consistent with the definition in the POM and the responsible MDA has reported on that completion of that activity to OPM and provided supporting evidence in line with the requirements of the POM.</p> <p>At least 10 actions completed from the section of the matrix relating to Refugee Hosting LGs. In the event that 10 refugee related actions are not achieved a maximum of \$40m will be disbursed under DLI 3.</p> <p>At least 7 actions completed from the crosscutting section of the matrix directly relating to environmental and social safeguards. In the event that 7 safeguard related actions are not achieved a maximum of \$43m will be disbursed under DLI 3.</p>
Data source/ Agency	<p>Service Delivery Improvement Matrix in the POM</p> <p>Verification requirements for the action in the POM</p> <p>Central MDA reports on completion of actions and supporting evidence</p>
Verification Entity	<p>OPM on the advice of a contracted independent firm.</p> <p>LGFC will conduct an independent check for those actions that are the responsibility of OPM.</p>
Procedure	<p>Central MDAs provide evidence of completion of key actions in line with the reporting formats and provides evidence of completion in line with verification requirements for the actions specified in the POM.</p> <p>OPM, assisted by an contracted independent firm, reviews the report and supportive evidence from the Central MDAs and verifies completion in line with the verification requirements for each action in the POM.</p>



	<p>OPM advises the IFT-TC and SC on the number of actions that have been verified as complete.</p> <p>LGFC provides an independent check on the actions implemented by OPM and confirms their achievement to the IFT-TC</p> <p>For any completed actions, they may be verified and associated disbursements made prior to June 2023.</p>
DLI 4	DLI 4 Central Gov core functions in oversight, guidance, performance assessment, improvement, monitoring, technical support to LG service delivery take place in edu, health, water, irrigation, x cut
Description	<p>Central MDAs have performed their core activities to a level specified in the POM in the specified sectors / crosscutting areas in the DLI matrix in each of the following areas:</p> <ol style="list-style-type: none"> Essential Guidance have been prepared/updated and disseminated Performance assessments and performance improvement frameworks have been applied and value for money and technical audits have taken place in line with the procedures and scope set out in the POM. Performance in the routine area of i) review of workplans and budgets ii) monitoring of service delivery iii) monitoring of construction, iv) institutional arrangements and coordination and iv) environment and social safeguards. <p>For each sector/area, if one of (a) to (c) is not achieved, then 50% will be discounted from the allocation. If two or more of (a) to (c) are not achieved then there will be no disbursement for that sector/area.</p>
Data source/ Agency	<ul style="list-style-type: none"> Levels of achievement to be achieved specified in the POM MDA reports on implementation of core functions using formats specified in the POM and supporting evidence. LG Annual Performance Assessment Reports (DLR#4.20 onwards) OPAMS or equivalent website.
Verification Entity	OPM, for DLR# 4.21 onwards on the advice of an independent firm. LGFC will conduct an independent check for those actions that are the responsibility of OPM.
Procedure	<ul style="list-style-type: none"> Central MDAs assess their performance in accordance with procedures and reporting formats as set out in the POM and provide specified supporting evidence.



	<ul style="list-style-type: none"> OPM, assisted by an contracted independent firm for DLR#4,21 onwards and using the reports and evidence provided central MDAs, (i) assesses MDA performance for DLR#4,21 onwards in accordance the procedures in the Performance Assessment Manual and (ii) ascertains whether the level specified in the POM for the each core functions has been achieved. The OPM then advises the IFT-TC and SC on whether and the degree to which the DLI has been met. LGFC will provide an independent check on the core functions which fall under the responsibility of OPM and confirm achievement to the IFT-TC
DLI 5	DLI 5. LG management of service delivery is strengthened overall and for the weakest performing Local Governments in education, health, water & environment, and irrigation sectors and cross cutting
Description	<p>The DLR is achieved if the following two statements are true in relation to the results Level 2 (LG Management) of the Annual Performance Assessment:</p> <ol style="list-style-type: none"> For DLR#5.20, the average LG score has improved for the assessment of FY-1 as compared to FY-2, and for DLR#5.21 onwards the number of LGs meeting minimum conditions is at least an agreed level specified in the POM and does not decline FY-1 as compared to FY-2; and The average ranking for a specified number of the worst performing local governments in the Annual Performance Assessments for FY-1 as a share of the average for all local governments is greater than in the Assessment for FY-2 in each of the area specified. <p>For each area: If (a) not achieved no disbursement. If (b) not achieved a discount of 25% of the value applied.</p>
Data source/ Agency	<ul style="list-style-type: none"> LG Annual Performance Assessment Reports OPAMS or equivalent website
Verification Entity	OPM, on the advice of an independent firm
Procedure	<ul style="list-style-type: none"> The LG Management Assessments are carried out in accordance with procedures set out in the POM An independent firm, commissioned by OPM, verifies and provides quality assurance on a sample of results from the Annual Performance Assessment OPM reviews the report from the independent QA/Verification firm and ascertains whether (a) and (b) has been met, using the format in the POM. OPM advises the IF-TC on whether the DLI has been met.



DLI 6	DLI 6. Service delivery performance is strengthened overall and for the weakest performing facilities and sub-counties
Description	<p>a. Service Delivery performance (Level1) has been measured in the specified sectors/LLG areas in the DLI matrix for FY-1 and in an agreed number of facilities or LLG areas and using the agreed performance measurements procedures as specified in the POM.</p> <p>b. The average score in level 1 (service delivery) of the annual performance assessment for all local governments in FY-1 is greater than the average score for the Assessment in FY-2 in each of the sectors/LLG areas specified.</p> <p>c. The average score of a specified share of the worst performing facilities/LLG areas in the Annual Performance Assessments for FY-1 as a share of the average for all local governments is greater than in the Assessment for FY-2 in each of the sectors/LLG areas specified.</p> <p>For each sector/area: If either (a) or (b) not achieved, no disbursement. If (c) not achieved a discount of 25% of the value applied</p>
Data source/ Agency	<ul style="list-style-type: none"> • LG Assessment Task Force • Sector Service Facility and Subcounty Performance Assessment Reports • OPAMS or equivalent website
Verification Entity	OPM on the advice of an independent firm
Procedure	<ul style="list-style-type: none"> • The Service Delivery and Subcounty Assessment is carried out in the sectors/areas specified in the DLI matrix in accordance with procedures set out in the POM • An independent firm, commissioned by OPM, verifies and provides quality assurance on a sample of results from the Annual Performance Assessment • OPM reviews the report from the independent QA/Verification firm and ascertains whether (a), (b) and (c) have been met, using the format in the POM. • OPM advises the IF-TC on whether the DLI has been met.



DLI 7	DLI 1.1: Annual increase in budget allocation to sector conditional grants (wage, non-wage recurrent, and development to LGs for education services.
Description	MTP for increasing budget allocations to the transfers reflected in the MTEF with FY1 allocations at least a target percentage higher than in FY0. (a) A medium term plan for increasing budget allocations to the transfers and phasing in the formulae which states the annual allocations for sector conditional grants from 2018/19 to 2022/23 is approved by MoFPED and MoES and is in the POM. (b) For the respective Financial Years in the plan allocations to sector grants in the MTEF are greater than or equal to the sum of both allocations to sectoral conditional grants (wage, non-wage recurrent, development) in the plan and any allocations to support services and transitional development grants for the sector. (c) Aggregate medium term allocations for grants consistent with these allocations also available on OTIMS or available online in another form. (d) The percentage increase in total allocations for sector wage, non-wage recurrent and development grants (excluding support services and transitional development grants) between the approved or revised budget for FY1 and FY0 year must be at least the percentage specified in the DLI. If (a) to (d) are not achieved during FY0 then they can be achieved in FY1. In FY1 (d) is achieved through a supplementary budget during FY1
Data source/ Agency	MoFPED Medium Term Plan for Increasing budget allocations to the transfers in POM Communication showing MTP approved by PS MoES and PS/ST GoU Approved Budget Approved Budget MTEF
Verification Entity	LGFC
Procedure	<p>Year 1: MoFPED reviews the draft budget estimates and OTIMs before submission to parliament and verifies whether a, b and c are true and correct and makes any adjustments necessary. MoFPED also monitors any subsequent budget adjustments.</p> <p>After the approval of the budget in June, MoFPED reviews the draft budget estimates and OTIMs verifies whether a, b and c are true and provides documentary evidence (excerpts from budget docs, web link and screenshots). It then submits a report to the FD-TC providing evidence that the DLI has been met. LGFC reviews report and advises FD-TC on whether DLI is met.</p> <p>Year 2-5 In addition to repeating the tasks carried out task 2, MoFPED also verifies that d is correct, initially at the time of the draft budget. Following the approval of the budget, MoFPED produces a report and submits it to FD-TC. LGFC reviews report and advises FD-TC on whether DLI is met.</p>



DLI 8	DLI 1.2: Enhanced, equitable formula for operational grants in education phased in as planned
Description	<p>Budget allocations consistent with agreed formula phase in plan and publicly available online. (a) A formula approved by the MoES is in place in 2017 for the Education Non-Wage Recurrent Conditional Grant including a set of variable and weightings and this formula is stated in the POM and the Annual Budget Estimates for or equivalent for FY1. (b) The data for all variables on which are used in computation of formula shares for FY1 and the list of education cost centers will be verified in writing by the institution responsible for producing that data and this data will be publicly available online on OTIMS or equivalent. (c) The sum of Education Non-Wage Recurrent Conditional Grant allocations to all LGs in the approved (or revised) budget for FY1 are at least as high as those in the grant uplift and formula phase in plan. (d) The approved (or revised) LG budget allocations to the Education Non-Wage Recurrent Conditional Grant for FY1 are calculated using the approved formula and mathematical principles set out in the POM. (e) Grant allocations for FY1 are publicly available online OTIMS or equivalent. (f) From 2020/21 onwards (Year 4) performance incentives will be introduced as specified in the POM. If (a) to (f) are not achieved during FY0 then they can be achieved in FY1. In FY1 (c) and (d) are achieved through a supplementary budget during FY1. Budgeted transfers for FY0 released in full and releases publicly available online (g) Grant releases for FY0 are publicly available on OTIMS or equivalent Grant disbursements (h) Annual education non-wage recurrent conditional grant releases to every individual local government for FY0 are at least 97% of the approved budget for that LG. If (g) and (h) are not achieved during FY0 then they can be achieved for FY0 in FY1. In FY1 (h) is achieved through both a supplementary budget during FY1 of the equivalent of the value of any shortfall in releases to each LGs below 97% in FY0 and DLI 1.2 (h) being achieved in FY1 for the revised budget.</p>
Data source/ Agency	<p>Approved formula in POM Communication showing approved formula and phase in plan signed by PS MoES. MoFPED GoU Approved Budget for transfers for FY1. Official statistics signed off by data producers Maths underlying formulae and phase in (consistent with OTIMS) in POM</p> <p>GoU Approved Budget for transfers for FY0. GoU Release Data for FY0</p>
Verification Entity	LGFC
Procedure	<p>Year 1 to 5 At the time of the first budget call and draft budget MoFPED checks that a. to e. are true and documentary evidence in place using the guidance in the POM, and ensure that the approved budget remains consistent. After the close of the financial year MoFPED report on (a) - (e) as specified in the POM and submit a report to FD-TC. LGFC reviews report and advises FD-T on whether DLI is met.</p>



	<p>Year 4 & 5 LGFC verifies (f) is true using the process set out in the POM.</p> <p>Year 1 to 5 MoFPED will ensure and check that all release data is up to data and provide evidence that release data for FY0 is available online (g).</p> <p>Year 2 to 5 In preparing fourth quarter cash limits for FY0, MoFPED will ensure full releases can be accommodated. After the fourth quarter cash limits of FY0 are issued MoFPED will check whether h has been met by reviewing LG warrants submitted. If there are issues, then MoFPED will take action.</p> <p>After the close of the financial year MoFPED report on (h) as specified in the POM and submit a report to FD-TC. LGFC reviews report and advises FD-TC on whether DLI is met.</p>
DLI 9	DLI 1.3: Enhanced, equitable formula for development grants in education implemented as planned
Description	<p>FY1 budget allocations are in line with formula and phase in plan and FY0 budget disbursements are made in full to LGs which meet minimum requirements. Both are available online. (a) A formula approved by the MoES is in place in 2017 for the Education Development Conditional Grant including a set of variable and weightings and this formula is stated in the Annual Budget Estimates for or equivalent for FY1. (b) The data for all variables on which are used in computation of formula shares for FY1, including performance assessments results, will be verified in writing by the institution responsible for producing that data and this data will be publicly available online on OTIMS or equivalent. (c) The sum of Education Sector Development Grant allocations to all LGs in the approved (or revised) budget for FY1 are at least as high as those in the grant uplift plan. (d) The approved (or revised) LG budget allocations to the Education Sector Development Grant for FY1 are calculated using the approved formula and mathematical principles set out in the POM, which includes the results of the annual performance assessment linked to at least 50% of grant allocations. (e) Grant allocations for FY1 will be publicly available on OTIMS or equivalent. If (a) to (e) are not achieved during FY0 then they can be achieved in FY1. In FY1 (c) and (d) is achieved through a supplementary budget during FY1 Budgeted transfers for FY0 released in full and releases publicly available online (f) Grant releases for FY0 are publicly available on OTIMS or equivalent Grant disbursements (g) FY0 annual releases to the development grant are at least 97% of the annual budget for that grant for all LGs which met accountability requirements by the end of December of FY0, based information from the annual performance assessment for FY-1 and updates from MoFPED. If (f) and (g) are not achieved during FY0 then they can be achieved for FY0 in FY1. In FY1 (g) is achieved through both a supplementary budget during FY1 of the equivalent of the value of any shortfall in releases to each LGs below 97% in FY0 and DLI 1.2 (g) being achieved in FY1 for the revised budget.</p>
Data source/ Agency	showing approved formula signed by PS MoES. GoU Approved Budget for transfers for FY1.< br /> GoU Release date for FY0 Official statistics signed



Verification Entity	LGFC
Procedure	<p>At the time of the draft budget MoFPED checks that a. to e. are true and verified using a template specified in the P OM. After the close of the financial year MoFPED will compile information on b. to f and submit a report to FD-TC. LGFC reviews report and advises FD-TC on whether DLI is met.</p> <p>Year 1 to 5 MoFPED will ensure and check that all release data is up to date and provide evidence that release data for FY0 is available online (f). Year 2 to 5 In preparing fourth quarter cash limits for FY0, MoFPED will ensure full releases can be accommodated. After the fourth quarter cash limits of FY0 are issued MoFPED will check whether g has been met by reviewing LG warrants submitted for all LGs that have met accountability requirements by December of FY0. If there are issues, then MoFPED will take action. After the close of the financial year MoFPED report on g as specified in the POM and submit a report to FD-TC. LGFC reviews report and advises FD-TC on whether DLI is met.</p>
DLI 10	DLI 1.4: The quality of fiscal management of education resources by LGs is maintained
Description	The average score on the assessment of health resources management in the annual performance assessment and the average score of the 20 worst LGs are both higher than in FY-1. (a) The average score of the Annual Performance Assessment for all local governments in FY-1 is greater than the average score for the Assessment in FY-2 (b) The average score of the worst performing 20 local governments in the Annual Performance Assessment for FY-1 as a share of the average for all local governments is greater than in the Assessment for FY-2 Guidelines at the LG and school level updated, addressing fiduciary, environmental and social risks and grievance redress. Relevant LG and School level guidelines and manuals are updated as specified in the POM: (a) to reflect new and existing policies and systems; (b) to address technical, fiduciary, social and environmental risks as specified in the POM.
Data source/ Agency	LG and School Level Guidelines
Verification Entity	LGFC
Procedure	Year 1 MoEST Compiles revised guidelines and submits to the FD-TC. LGFC verifies whether the Manuals address the issues set out in the POM.



DLI 11	DLI 2.1: Annual increase in budget allocation to sector conditional grants (wage, non-wage recurrent, and development) to LGs for health services.
Description	MT plan for increasing budget allocations to the transfers reflected in the MTEF with FY1 allocations at least a target percentage higher than in FY0. (a) A medium term plan for increasing budget allocations to the transfers and phasing in the formulae which states the annual allocations for sector conditional grants from 2018/19 to 2022/23 is approved by MoFPED and MoH and is in the POM. (b) For the respective Financial Years in the plan allocations to sector grants in the MTEF are greater than or equal to the sum of both allocations to sectoral conditional grants (wage, non-wage recurrent, development) in the plan and any allocations to support services and transitional development grants for the sector. (c) Aggregate medium term allocations for grants consistent with these allocations also available on OTIMS or available online in another form. (d) The percentage increase in total allocations for sector wage, non-wage recurrent and development grants (excluding support services and transitional development grants) between the approved budget for FY1 and FY0 year must be at least the percentage specified in the DLI. If (a) to (d) are not achieved during FY0 then they can be achieved in FY1. In FY1 (d) is achieved through a supplementary budget during FY1.
Data source/ Agency	MoFPED Medium Term Plan for Increasing budget allocations to the transfers and communication showing approved by PS MoH and PS/ST GoU Approved Budget Approved Budget MTEF
Verification Entity	LGFC
Procedure	<p>Year 1: MoFPED reviews the draft budget estimates and OTIMS before submission to parliament, checks whether a, b and c are true and correct and makes any adjustments necessary. MoFPED also monitors any subsequent budget adjustments. After the approval of the budget in June, MoFPED reviews the draft budget estimates and OTIMs, checks whether a, b and c are true and provides documentary evidence (excerpts from budget docs, web link and screenshots). It then submits a report to the FD-TC providing evidence that the DLI has been met. LGFC reviews report and advises FD-TC on whether DLI is met.</p> <p>Year 2-4 In addition to repeating the tasks carried out task 2, MoFPED also checks whether d is correct, initially at the time of the draft budget. Following the approval of the budget, MoFPED produces a report and submits it to FD-TC. LGFC reviews report and advises FD-TC on whether DLI is met.</p>



DLI 12	DLI 2.2: Enhanced, equitable formula for operational grants in health phased in as planned.
Description	Budget allocations consistent with agreed formula phase in plan and publicly available online. (a) A formula approved by the MoH is in place in 2017 for the Health Non-Wage Recurrent Conditional Grant including a set of variable and weightings and this formula is stated in the POM and the Annual Budget Estimates for or equivalent for FY1. (b) The data for all variables on which are used in computation of formula shares for FY1 and the list of education cost centers will be verified in writing by the institution responsible for producing that data and this data will be publicly available online on OTIMS or equivalent. (c) The sum of Health Non-Wage Recurrent Conditional Grant allocations to all LGs in the approved (or revised) budget for FY1 are at least as high as those in the grant uplift and formula phase in plan. (d) The approved (or revised) LG budget allocations to the Health Non-Wage Recurrent Conditional Grant for FY1 are calculated using the approved formula and mathematical principles set out in the POM, which includes the results of the annual performance assessment linked to at least 50% of grant allocations. (e) Grant allocations for FY1 are publicly available online OTIMS or equivalent (f) From 2020/21 onwards (Year 4) performance incentives will be introduced as specified in the POM. If (a) to (f) are not achieved during FY0 then they can be achieved in FY1. In FY1 (c) and (d) are achieved through a supplementary budget during FY1.
Data source/ Agency	Communication showing approved formula and phase in plan signed by PS MoES. MoFPED GoU Approved Budget for transfers for FY1. GoU Release Data for FY0 Official statistics signed off by data producers Maths underlying formulae and phase in (consistent with OTIMS)
Verification Entity	LGFC
Procedure	Year 1 to 5 At the time of the first budget call and draft budget MoFPED checks that a. to e. are true and documentary evidence in place using the guidance in the POM, and ensure that the approved budget remains consistent. After the close of the financial year MoFPED report on a to e as specified in the POM and submit a report to FD-TC. LGFC reviews report and advises FD-TC on whether DLI is met. Year 4 & 5 MoFPED verifies (f) is true using the process set out in the POM.
DLI 13	DLI 2.3: Enhanced, equitable formula for development grants in health implemented as planned.
Description	FY1 budget allocations are in line with formula and phase in plan and FY0 budget disbursements are made in full to LGs which meet minimum requirements. Both are available online. (a) A formula approved by the MoH is in place in 2017 for the Health Development Conditional Grant including a set of variable and weightings and this formula is stated in the



	Annual Budget Estimates for or equivalent for FY1. (b) The data for all variables on which are used in computation of formula shares for FY1, including performance assessments results, will be verified in writing by the institution responsible for producing that data and this data will be publicly available online on OTIMS or equivalent. (c) The sum of Health Sector Development Grant allocations to all LGs in the approved (or revised) budget for FY1 are at least as high as those in the grant uplift plan. (d) The approved (or revised) LG budget allocations to the Health Sector Development Grant for FY1 are calculated using the approved formula and mathematical principles set out in the POM. (e) Grant allocations for FY1 will be publicly available on OTIMS or equivalent. If (a) to (d) are not achieved during FY0 then they can be achieved in FY1. In FY1 (c) and (d) are achieved through a supplementary budget during FY1. Budgeted transfers for FY0 released in full and releases publicly available online (f) Grant releases for FY0 are publicly available on OTIMS or equivalent Grant disbursements (g) FY0 annual releases to the development grant are at least 97% of the annual budget for that grant for all LGs which met accountability requirements by the end of December of FY0, based information from the annual performance assessment for FY-1 and updates from MoFPED. If (f) and (g) are not achieved during FY0 then they can be achieved for FY0 in FY1. In FY1 (g) is achieved through both a supplementary budget during FY1 of the equivalent of the value of any shortfall in releases to each LGs below 97% in FY0 and DLI 1.2 (g) being achieved in FY1 for the revised budget.
Data source/ Agency	Communication showing approved formula signed by PS MoES. GoU Approved Budget for trans fers for FY1. GoU Release date for FY0 Official statistics signed off by data producers Maths underlying formulae and phase in (consistent with OTIMS)
Verification Entity	LGFC
Procedure	Year 1-5 At the time of the draft budget MoFPED checks that a. to e. are true and verified using a template spe cified in the POM. After the close of the financial year MoFPED will compile information on b. to f and submit a r eport to FD-TC. LGFC reviews report and advises FD-TC on whether DLI is met.
DLI 14	DLI2.4: The quality of fiscal management of health resources by LGs is maintained.
Description	The average score on the assessment of health resources management in the annual performance assessment and the average score of the 20 worst LGsare both higher than in FY-1. (a) The average score of the Annual Performance Assessment for all local governments in FY-1 is greater than the average score for the Assessment in FY-2 (b) The average score of the worst performing 20 local governments in the Annual Performance Assessment for FY-1 as a share of the average for all local governments is greater than in the Assessment for FY-2. Guidelines at the LG and health facility level updated,



	addressing fiduciary, environmental and social risks and grievance redress. Relevant LG and Health Facility level guidelines and manuals are updated as specified in the POM: (c) to reflect new and existing policies and systems; (d) to address technical, fiduciary, social and environmental risks as specified in the POM.
Data source/ Agency	OPM, and the LG Assessment Task Force Annual Performance Assessment Reports OPAMS or equivalent website LG and Health Facility Level Guidelines
Verification Entity	LGFC
Procedure	Year 1 MoH Compiles revised guidelines and submits to the FD-TC. LGFC Reviews whether the Manuals address the issues set out in the POM.
DLI 15	DLI 3: Assessment and Targeted Performance Improvement of the Fiscal Management by LGs.
Description	Annual performance assessment of FY-1 is conducted, validated and publically disseminated. (a) A local government performance assessment manual, which forms part of the POM, has been approved and disseminated. (b) An annual assessment of local government performance has taken place which applies the relevant version of the performance assessment manual. (c) The results of the assessment are made publicly available online on OPAMS or equivalent, and this includes the overall assessment results, and the detailed assessment criteria and supporting evidence. Assessment manual for assessment of FY 2018/19 onwards updated and disseminated to take into account updated procedures in grant manuals and agreed additional performance parameters. (d) Assessment criteria in the annual performance assessment manual are updated, where necessary, based on adjusted procedures and manuals for the assessment manual to be used in the assessment to be carried out starting August 2019 and the new framework for performance incentives for non-wage recurrent conditional grants. Performance Improvement Plans prepared for and agreed with a specified number of local governments and in a specified number of thematic areas of underperformance. (a) A Specified Number of Local Performance Improvement Plans for FY1 using the format in the POM in place and agreed between the relevant central government ministries and approved by the LGPI Task Force, (b) At least a target number of Thematic Performance Improvement Plans using the format in the POM for FY0 in place and approved by the LGPI Task Force. (c) An evaluation report for Performance Improvement Plans for FY-1 prepared and approved by the LGPI task force and published on . A VfM audit is conducted of local government expenditures in health and education in a sample of local governments as specified



	in the POM.
Data source/ Agency	<p>OPM, and the LG Assessment Task Force Annual performance assessment manual Annual performance assessment results OPAMS or equivalent website LG manuals and guidelines LG Performance Assessment Manual</p> <p>MoLG and the LGPI task force L-PIPs for FY 0 T-PIPs for FY0 Evaluation Report for FY- 1 Minutes of TF meetings OAG Audit Report</p>
Verification Entity	<p>FD-TC on the advice of an independent firm provides quality assurance of sample of results, produced by a independent firm commissioned by OPM.</p> <p>LGFC</p> <p>LGFC</p> <p>LGFC</p>
Procedure	<p>Year 1-5 OPM hires an independent firm to conduct the APA. The firm will follow the procedure provided in the assessment manual (as updated) which is an appendix to the POM. OPM will hire a second QA independent firm to provide quality assurance on a sample basis. OPM, as chair of the assessment Task Force submits the final assessment report to the FD-TC including the complete results of the APA.</p> <p>Year 1 In addition to the standard annual procedures above the Education, Health and LG Support Task forces will submit updated manuals to the FD-TC. Year 3 In addition to the standard annual procedures above the LG Assessment task force will update the assessment manual in line with adjusted procedures and guidelines, as appropriate.</p> <p>Year 1 MoLG compiles the L-PIPs and T-PIPs as documentary evidence and ascertains whether a. and b. have been achieved and advises the LGPA-TF. The LGPI-TF then reports to the FD SC.</p>



&nbs p;

Year 2-Year 5 MoLG compiles the L-PIPs and T-PIPs as documentary evidence and ascertains whether a., b. and c have been achieved and advises the LGPA-TF. The LGPI-TF then reports to the FD SC.

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Year 1 and 5 OAG submits to FD-TC the report by the end of December. LGFC assesses whether report is to standard and advises the TC



ANNEX 1: INTEGRATED RISK ASSESSMENT

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Latest ISR Rating	Current Rating
Political and Governance	● Moderate	● Moderate
Macroeconomic	● Moderate	● Moderate
Sector Strategies and Policies	● Substantial	● Substantial
Technical Design of Project or Program	● Substantial	● Substantial
Institutional Capacity for Implementation and Sustainability	● Substantial	● Substantial
Fiduciary	● Substantial	● Substantial
Environment and Social	● Moderate	● Substantial
Stakeholders	● Moderate	● Moderate
Other	● Moderate	● Moderate
Overall	● Substantial	● Substantial

ANNEX 2: TECHNICAL ASSESSMENT – ADDENDUM

A. Introduction

1. This Annex provides details of the scope of the program, results and sectoral and cross sectoral program interventions and the associated technical assessments of those interventions – both in terms of their strategic relevance and technical soundness. This elaborates Part III of the program paper provides an overview of the changes to the program development objectives, details of the changes to program boundaries, a summary of Program Changes and the technical assessment. It also provides details of the update to the economic assessment, given the broadened scope.

B. UgIFT AF in the context of Changes to the Government program

2. The adjustments of the IFTRP to address the challenges to service delivery across sectors were assessed as both of strategic relevance and technically sound, and the Additional Finance supports these changes. The table below illustrates how UgIFT Program will support the adjusted IFTRP.

Table 2.1: Elements of the IFTRP and Related UgIFT Program Activities

Elements of the Updated IFTRP (Government's program)	Activities of UgIFT (the Program)
<p>1. Redesigning sectoral and discretionary transfers within a consolidated grant framework [unchanged].</p> <p>i. The development of objective and equitable allocation formulae for all sector conditional grants and discretionary grants within a consolidated grant framework, following the rationalization of all sector conditional grants; and the merging of equalization and regional development grants.</p> <p>ii. The establishment of sectoral budget requirements instead of grant-based input conditions.</p> <p>iii. The establishment of a transparent, rules-based systems for management of LG transfers by central government.</p> <p>iv. The preparation of grant guidelines using a common approach for all grants.</p>	<ul style="list-style-type: none"> - Supporting the design of development grants for micro irrigation and continued strengthened transfer design in the education, health and water and environment sectors and associated revisions to guidelines for LGs and Facilities. - Support implementation of grants in the education, health, water, environment and irrigation sectors, including phasing in modifications of their allocation formulae. - Incorporating integrated financing of LG service delivery in refugee hosting LGs by including number of refugees in the formulae. - Strengthening of the management of fiscal transfers by MoFPED and sector ministries.
<p>2. Reviewing the fiscal decentralization architecture and estimating the cost of adequately financing those mandates relative to the overall budget [unchanged].</p> <p>i. Reviewing LG mandates and estimating the cost of adequately financing those mandates relative to the overall budget.</p> <p>ii. Reviewing the overall legal and policy framework for local government revenues and expenditures and recommending changes</p>	<ul style="list-style-type: none"> - Supporting the process of updating the costing and the MTP in supported sectors based on mandates and prevailing policies and approaches to service delivery. - Incorporating financing of integrated service delivery in refugee hosting LGs within costing and the MTP. - Supporting the adequacy of health, education, water, environment and micro irrigation financing through providing finance for the implementation of the medium-term plan for financing local service delivery in health, education, water, environment and micro irrigation.
<p>3. Establish a framework of performance incentives in the grant system to lever improved institutional and service delivery performance and accountability [unchanged].</p> <p>i. Establishment of a three-level performance assessment framework which assesses a) adherence to core budgetary and accountability requirements; b) core and sectoral institutional performance; and c) facility performance.</p>	<ul style="list-style-type: none"> - Implementation and refinement of the annual assessment process of LGs, linking of development grants to performance assessments, sharpening the focus on service delivery - Introduction of service delivery assessments in four sectors supported.

Elements of the Updated IFTRP (Government's program)	Activities of UgIFT (the Program)
ii. Introducing performance incentives, including rewarding those local governments which plan for and implement programs well, in adherence to the legal and policy framework, and sanctioning those which do not. iii. Establishing a framework of "performance improvement programs" which target action to improve performance in LGs and facilities in areas which where performance is weak.	- Development and implementation of the Performance Improvement Planning Framework for LGs, and thematic areas.
4. Strengthen the central government core functions in oversight of service delivery and establish strengthened systems, processes and capacity at the local level [new addendum to IFTRP]. i. Strengthen central governments core functions in a) preparation, update and dissemination of guidance b) performance assessment and improvement and c) routine oversight and technical support. ii. Take action to strengthened systems and process and capacity at the facility LLG, LG and central government levels to strengthen delivery. iii. Technical Infrastructure Audits every year and increasing the frequency of VfM Service Delivery Audits every two years for the LG expenditures financed through the grants. iv. Establishment of performance assessments of line ministries in the oversight and management of service delivery.	- Supporting strengthened oversight and technical support by sector ministries and other sector agencies. - Supporting annual performance assessments of MoES, MoH, MWE and MAAIF and crosscutting MDAs. - Technical infrastructure audits take place every year and increasing the frequency of value for money audits of service delivery every two years for the LG expenditures financed through the grants.

C. Adjustment to DLI Verification procedures

3. Section III described the changes to the framework for DLIs and the overall value assigned to those DLIs. Further details of the scale-ability of each DLI and the verification protocols are provided in Section IX.

Table 2.2: Verification Arrangements

DLI Area	DLIs 1 and 2 Equity and Adequacy of Financing	DLIs 3 and 4 Service Delivery Improvement and Central Oversight	DLI 5 LG Performance Assessment	DL6 Service Delivery Performance Assessment
Compilation of Results	MoFPED July 15 th FY0	OPM, from Sector Ministries, with review by LGPA-TF July 15 th FY0	OPM, from contracted firms, with review by LGPA-TF 15 th Dec FY0	Sector Ministry, from assessing entities, with review by LGPA-TF 15 th Dec FY0
Verification of Results	LGFC July 31 st FY0	OPM, supported by Independent Verification Firm July 31 st FY0	OPM, supported by an Independent QA & Verification Firm Dec 31 st FY0	OPM, supported by Independent Verification Firm Dec 31 st FY0 ²³
Endorsement by GoU and forwarding to World Bank by MoFPED	IGFT TC July 31 st FY0	IFT TC July 31 st FY0 on advice of the LGPA-TF	IFT TC Jan 15 th FY0 on advice by the LGPA-TF	
	IFT SC August 15 th FY0		IFT SC 31 st Jan FY0	
Confirmation by World Bank	Sept 15 th FY0		28 th February FY0	

²³ Audit results ready by end of December will be incorporated in first week of January.



4. **LGFC will be responsible for verifying DLIs 1 and 2 relating to the adequacy and equity of financing and OPM will be responsible for verification of DLIs 3, 4, 5 and 6 relating to Central Government Oversight, Local Government Management and Service Delivery performance.** This is in line with their institutional mandates. An independent firm or firms will support the OPM in verifying results for DLIs 3, 4, 5 and 6. For those actions under DLIs 3 and 4 which are the responsibility of OPM, LGFC will conduct an independent check. The Permanent Secretary / Secretary to the Treasury (PS/ST) of MoFPED, as chair of the IFT Steering Committee, will continue to report to the World Bank on achievement of DLIs. The IFT Technical Committee, chaired by MoFPED will be responsible for overseeing the reporting on DLIs and endorsement of the verification of the associated results by the LGFC.

5. **The IDA will observe the process of results achievement and continue to retain the right to make the final decision on whether a DLR has been achieved or not when confirming results.** This will include observing all stages of the annual performance assessment processes and associated meetings of the LGPA task force. The basis of this confirmation will be the verification protocols and reporting requirements set out in the POM.

D. Annual Performance Assessment Framework

6. **The Annual Performance Assessment Framework is at the heart of the design of UgIFT, and sector and crosscutting assessments will be carried out of central oversight, local government management and service delivery performance.** Table 2.3 below sets out the major tentative groupings of performance measures that will be further elaborated in the Performance Assessment Manual. The performance measures identified will be limited within and across sectors to those which are crucial enablers for service delivery or measure service delivery performance directly.

7. **Level 1 – Facility and Lower Local Government Service Delivery.** This level of performance assessment is focused on the institutions directly providing services. Health Centre IIIs and IVs performance will be assessed as part of the mainstreaming of Results Based Financing in the LG grant system from 2021/22. Primary School performance will be assessed using a new performance assessment framework that will be rolled out in a phased manner over the course of UgIFT. A lower local government assessment will also be phased in over the program period. This will assess performance of lower local governments in water supply, sanitation and hygiene; micro irrigation and complementary services; and their roles in education health and crosscutting areas.

8. **Level 2 – LG Management of Service Delivery.** The local government assessment will be sharpened in three respects. Firstly, sectoral assessments will assess service delivery results overall in the district/municipalities, aggregating performance information from facilities and lower local governments and alongside this assess the degree of compliance with performance reporting and performance improvement support. This will provide a focus on and incentives for local governments to focus on performance at the point of delivery. Secondly, minimum conditions for the performance component of development grants will be identified, to focus on key bottlenecks for delivery and safeguards management. Proposed minimum conditions are set out in Table 2.4 below, which will apply to 50 percent of the performance allocations for 2021/22 and 100 percent thereafter. This will sharpen incentives for LGs to address these key issues, which have proved challenging in early UgIFT implementation.

9. **Level 3 – Central Assessment.** Central ministries will report on progress in performance of core functions in line with their calendar and provide supporting evidence in line with the performance assessment manual. The performance assessment will assess the degree to which each of the four key oversight functions have been carried out.



Table 2.38: Summary of the three Levels of Annual Performance Assessment²⁴

<p>Level 1a: Facility <i>Primary Schools and Health Centers III and IV</i></p> <p>Primary School</p> <ul style="list-style-type: none"> Basic Standards for Staffing, Infrastructure and Facilities Learner Teacher School Management Community management <p>Health Centre III and IV</p> <ul style="list-style-type: none"> Basic Standards for Staffing, Infrastructure, Equipment, and RBF Qualification Curative Health Services Health promotion and prevention activities Continuous quality improvement Health Facility Leadership and Management Human Resources for Health Essential Medicines and Supplies Management Equipment and Infrastructure <p>Level 1b: Lower Local Governments (LLGs) <i>Education, Health, Water, Irrigation and Crosscutting</i></p> <p>Education</p> <ul style="list-style-type: none"> Appraisal of Head Teachers Termly school visits LLG education investment prioritization and selection <p>Health</p> <ul style="list-style-type: none"> Health awareness, prevention and reporting LLG health investment pr and selection <p>Water</p> <ul style="list-style-type: none"> Water Supply Functionality and Hygiene Practices Community management and repair of facilities Prioritization of investment to communities without access to functional facilities. Management Information, workplanning and reporting <p>Micro-scale Irrigation</p> <ul style="list-style-type: none"> Irrigation Investment Performance Complementary Services Mobilization and selection of farmers Management information, workplanning and reporting <p>Crosscutting</p> <ul style="list-style-type: none"> Basic Standards for Staffing and Equipment Planning and budgeting Procurement Revenue mobilization Reporting Execution, gender and environment Sector Indicators 	<p>Level 2: Local Government Service Delivery Management and Results <i>Education, Health, Water, Irrigation and Crosscutting</i></p> <p>Local Government Service Delivery Results</p> <ul style="list-style-type: none"> Achievement of Basic Standards Service Delivery Performance Investment Performance and execution <p>Service Delivery Performance Reporting and Performance Improvement</p> <ul style="list-style-type: none"> Facility/LLG Compliance and Reporting Performance Improvement Accuracy of Reported Information <p>Human Resources Management and Development</p> <ul style="list-style-type: none"> Budgeting for and Actual Recruitment and Deployment of staff Attendance and Performance Management <p>Management, Monitoring and Supervision of Services</p> <ul style="list-style-type: none"> Planning, Budgeting and Transfer of Funds for service delivery Routine Oversight and Monitoring Communication and Mobilization of Beneficiaries <p>Investment Management</p> <ul style="list-style-type: none"> Planning and budgeting for Investments Procurement, Contract management/execution <p>Environmental and Social Requirements</p> <ul style="list-style-type: none"> Safeguards for Service Delivery Safeguards in the Delivery of Investments Transparency Grievance Redress <p>Financial Management (crosscutting only)</p> <ul style="list-style-type: none"> Bank Reconciliations Internal audit and follow-up on audit Audit opinion and Follow up <p>Locally Raised Revenues (crosscutting only)</p> <ul style="list-style-type: none"> Predictability Revenue mobilization performance Revenue sharing 	<p>Level 3: Central Government Oversight and Systems Strengthening <i>Education, Health, Water, Irrigation and Crosscutting</i></p> <p>a) Essential sector guidance prepared and disseminated (DLI4)</p> <ul style="list-style-type: none"> Essential Sector Guidance for Service Delivery Updated and Issued Grant and Budgeting Guidelines Updated and Issued on time LGs and Service Delivery Staff directly trained on all new and updated sector guidance <p>b) Performance assessment and improvement support (DLI4)</p> <ul style="list-style-type: none"> Annual Performance Assessment Takes Place in Line with Assessment Manual Performance Improvement Planning and Support Value for Money and Technical Audits (crosscutting only) <p>c) Routine Coordination, Oversight, Monitoring and Technical Support (DLI4)</p> <ul style="list-style-type: none"> Central government review of LG budgets, work plans and reports Budgeting, Financial Management and Procurement Monitoring, Oversight and Technical Support to service delivery and follow up Oversight and support to LG investment management, including Joint Monitoring of Construction and follow up Coordination and Institutional Arrangements Environmental and Social Safeguards <p>d) Strengthening Local Government Processes and Systems (DLI3)</p> <ul style="list-style-type: none"> Actions to Strengthening Local Government Processes and Systems in line with the Service Delivery Improvement Matrix
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²⁴ Note: the details will be elaborated in the Performance Assessment Manual.



Table 9: LG Minimum Conditions for Accessing the Performance Component of Development Grants

<p>Sector Development Grants</p> <ul style="list-style-type: none"> • HLG has assessed sector facility and LLG basic service delivery standards, service delivery performance and investment performance in line with the LGPA manual and phase in plan. • LG has substantively recruited or requested for secondment of all critical professional staff as per staff structure, where there is a wage bill provision. • Environmental, Social and Climate Change screening has been carried out and ESIA's and costed ESMPs developed (including child protection plans), where required, prior to commencement to project activities.
<p>Crosscutting</p> <ul style="list-style-type: none"> • The HLG has assessed crosscutting LLG performance in line with the LGPA manual. • The LG has ensured critical staff are substantively appointed in HLG departments or has requested for secondment from central government where there is a wage bill provision as below: <ul style="list-style-type: none"> a) All Heads of Department b) A Senior Procurement Officer and Procurement Officer (if Municipal: Procurement Officer and Assistant Procurement Officer) c) A Senior Environment Officer and Senior Land Management Officer. d) A Senior Community Development officer e) A Senior Accountant f) At least one Senior Internal Auditor • The LG has ensured critical minimum staff are substantively appointed every LLG as below: <ul style="list-style-type: none"> g) Senior Assistant Secretary or an Assistant Secretary; h) Community Development Officer or Assistant Community Development Officer; and i) Senior Accounts Assistant or an Accounts Assistant. • Environmental, Social and Climate Change screening has been carried out and ESIA's and costed ESMPs developed (including child protection plans), where required, prior to commencement to project activities. • LG has allocated at least 5 percent of the total budget allocations to capital development in a LG to oversight and management of construction under the LG administration department, and the planned activities and targets in the workplan include a) procurement and b) contract management and c) environmental and social safeguards as specified in guidelines for investment servicing costs. • The Local government does not have an adverse or disclaimed audit opinion. • The LG has provided information to the PS/ST on the status of implementation of Internal Auditor General and Auditor General findings for the previous financial year by end of February

10. **The overall assessment process will be coordinated by OPM and the Local Government Performance Assessment Task Force.** The strengthened focus on service delivery, especially at levels 1 and 2, will require and rely on strengthened sector management information systems, reporting and validation processes. Actions to develop these systems and strengthen the performance assessment are set out in the Service Delivery Improvement Matrix.

E. Description and Assessment Sector and Crosscutting Interventions

11. In the **Education sector**, it is proposed that the agenda for strengthening service delivery focuses, from the **level** of service delivery up, on the following:

- RA1: The updated **medium-term plan for financing local government education services** is based on a costing of LG education services and involves the following main changes:
 - Wage recurrent grants allocations will enable all LGs by 2023/24 to staff a) up 100 percent of revised minimum staffing norms (equivalent primary schools up to 80 percent and secondary schools up to 75 percent of current staffing norms), b) the inspection function up to an inspector to school ratio of at least 1:40 and at least 2 inspectors per district and 1 per municipality, c) newly constructed secondary schools, and d) newly registered facilities serving refugee communities and their hosts.



- The non-wage recurrent grant will include the costs of the phased introduction of school performance improvement framework, and an adequately funded inspection function, whilst maintaining the real, per pupil value of enhanced capitation payments over time.
- The formula and performance-based share of the development grant will be increased linked to the rehabilitation, expansion and equipping of existing schools to enable them to meet basic infrastructure requirements over time, whilst the program of building secondary schools in sub-counties without will continue.
- RA2: At **central government**, the capacity and functional performance of MoES to oversee local government service delivery will be strengthened, including the planning department, Departments of Primary and Secondary Education and the Directorate of Education Standards. The outcome of the strengthening of oversight and planning at MoES is to enhance the equity of distribution of primary and secondary wages across and within LGs, focusing on raising staff numbers in the lowest staffed LGs and providing support to those local governments having challenges recruiting additional teachers. The MoES will start implementing the integrated digitization of education service delivery. This will include the development of integrated MoES and DEO dashboards for the management of education services and harmonizing and automating tools for school performance assessment and improvement support.
- RA3: At the **district/municipality** level, the school inspection function will be revitalized and linked to the performance improvement framework using an agreed single inspection tool. Inequities in school staffing within local governments will be addressed through deliberative efforts to increase teacher numbers in LGs and schools with the lowest levels of staffing and staff new school facilities in line with minimum staffing standards, which will be revised if fiscal resources are insufficient to achieve a minimum of seven teachers per primary school. Intra-district distribution of primary teachers is under the remit of LGs and will be evaluated by the LGPA and impact on the allocation of development grants. The management of education infrastructure and equipment will be strengthened, and LGs will be required to prioritize investments on ensuring existing schools meet basic requirements and this will also be evaluated by the LGPA. The functioning of the District/Municipal Education Office will be further strengthened through ensuring minimum staffing levels and improving management tools.
- RA4: At the **school** level, a school performance improvement framework will be rolled out. This will involve: a set of basic performance standards, which each primary and secondary school is expected to achieve, an assessment of how a school performs against those basic standards, performance improvement support and performance incentives. Focus will be placed on strengthening teacher time at task, through rolling out the Teacher Effectiveness and Learner Achievement System alongside the school performance assessment.

12. **Program Strategic Relevance:** The program is highly relevant as it will address key service delivery challenges identified through during the preparation and implementation of the original UgIFT. In the original UgIFT, adequacy of financing, equity and LG functional performance of its education sector were identified as key blockages for improved sector service delivery. During implementation it was realized that additional blockages for improved service delivery identified in the education sector strategy should be included. In particular issues related to severe understaffing of some LGs and facilities, poor facility level management reflected in high levels teacher absenteeism and weak central government LG oversight and support, including weaknesses of MIS.

13. **Program Technical Soundness:** The program is technically sound. The assessment of the technical soundness of the program is based on practical experiences and lessons from UgIFT implementation FY2017/18-2019/20 and international lessons from strengthening decentralized education sector management including education sector result based financing. The program will deepen and adapt proven approaches from the initial



years of UgIFT and develop and implement additional innovations that so far only have been tested on a smaller scale.

14. The updated MTP will provide a more balanced support for adequacy of funding of the education sector with additional attention to wage grant allocation for the most understaffed schools and funding of the LG inspectorate function, performance based NWR allocations for facilities as well as additional development funding to allow for formula-based allocations of development funding for rehabilitation, repairs and upgrading of existing facilities. Details of the expected results from enhancing adequacy is presented in the table with Medium Term Costing Assumptions below.

15. Equity issues will be addressed in a more comprehensive manner by addressing staffing challenges of the most understaffed LGs and facilities as well as through the inclusion of a formula-based development grant component.

16. Sector institutional performance management will be strengthened through enhanced MIS, central government LG support modalities and national roll out of facility-based assessment system. The development of the School Performance Assessment (SPA) tool may be challenging but feasible based lessons from the various (yet to be harmonized) inspection tools, international lessons from RBF in education and the substantive lessons that Government have learned from 3 years of nationwide annual performance assessments of LGs. The SPA will be tested rigorously in selected LGs and evaluated through RCT before national roll out.

Health

17. In the **Health Sector**, it is proposed that the agenda for strengthening service delivery focuses, from the **level** of service delivery up, on the following:

- RA1: The **medium-term plan for financing local government health services** is being/has been updated based on a costing of LG health services which incorporates the above initiatives to strengthen service delivery. The main changes include:
 - Wage grant allocations will enable all LGs by 2023/24 to a) staff all health facilities below 65 percent of the staffing norm up to at least 65 percent of staffing norms (giving priority to absorbing staff hitherto serving on contract funded by development partners as per governments commitment); b) staff newly upgraded health centre IIIs; c) staff district health offices as per established norms; and to d) absorb staff in facilities serving refugee communities, currently paid under development partner funding. Understaffing of facilities within local governments will be addressed, and LGs will be required to ensure that they deploy minimal functional staffing to existing facilities and fully staff newly upgraded facilities.
 - The non-wage recurrent grant allocations will cover a) enhanced base allocations to all health facilities, b) the costs of mainstreaming RBF, including results payments, performance assessment and the associated package of continuous quality and performance improvement and c) maintaining the real value of results payments and per capita transfers over time.
 - Essential medicine and health supplies will be included, as a key service delivery input for local service delivery into the MTP, and financing levels will be increased up to 85 percent from the current 59 percent²⁵ of the required amounts by 2023/24, with the real value over time.
 - Development grant allocations will involve (i) 60 percent centrally allocated for upgrading, new construction and equipping new health center IIIs and (i) 40 percent as a formula and performance based allocation for rehabilitation, completion and equipping of existing health centers to basic

²⁵ MoH: Essential medicines costing report FY 2018/19



minimum standards. The allocations of the 60 percent will be based on standard unit costs and provided in the POM. Where contract prices are in excess of these unit costs, local governments will be required to find alternative revenue sources, which may include the 40 percent formula-based share of the health development grant to make up any funding shortfall and ensure that contracts are completed to minimum standards. More robust guidelines for the identification of investments and their specification in local government workplans and budgets, and central monitoring of all investments funded by development grants would be developed. Choice of investments will be based on the results of the planned inventory of health facilities and principles to be agreed and incorporated in the guidelines and POM.

- RA2: At the **level of central government**, MoH national coordination, and central oversight and technical support will be strengthened in all areas supported under the AF. A new strategy of supervision through regional referral hospitals will be operationalized. The equity of distribution of health workers across LGs will be enhanced, focusing on uplifting staff numbers in the lowest staffed LGs and providing support to those local governments having challenges recruiting additional health-workers such as through in-service training and central adverts. Allocations for essential medicines and the mechanisms for allocating those supplies will be output-based, and the transparency of allocations will be strengthened. UgIFT will support the integrated digitalization of health service delivery and management of health services. Digitization of service delivery will help to improve visibility of resources and actions in the sector through enhancing inter-operability of the existing and planned tools such as the RBF digital platform, electronic medical records systems, integrated human resource information systems, electronic logistics management information system; Integrated Financial Management Information System and the second District Health Information System.
- RA3: At the **district/municipal level**, upgrade of HCII's to HCIII will continue in line with the sectoral priority in the HSDP. The improvement and functionalization of HCIV's and HCIII's will be prioritized in addition to the construction of new HCIII's in selected critical sub counties without any health facilities. Upgrade of existing facilities and building of new ones will focus on meeting the minimum service delivery standards. The functioning of District Health Management Teams (DHMTs) in their role in the oversight and monitoring of service delivery will be strengthened including their role in the verification of facility level results under RBF, and district support to facility performance improvement. The functioning of the District/Municipal Health Office will be strengthened through ensuring minimum staffing levels, strengthening the structure of workplans, budgets. The functioning of Health Unit Management Committees and Hospital Management Boards will be strengthened through performance management frameworks with the local councils.
- RA4: At the **health facility level**, a package focused on improving facility performance will be introduced, which will involve the mainstreaming of Results Based Financing nationally under UgIFT from 2021/22 onwards using non-wage recurrent grant allocations. The non-wage recurrent grant will provide an enhanced base allocation to all facilities, with additional quarterly allocations to HCIII, HCIVs and hospitals based on the quantity and quality of services they provide. These incentive payments under RBF will be revised so that they incentivize a balanced package of preventative as well as curative interventions. A simplified framework for continuous quality improvement of health facilities derived from the existing HFQAP and the RBF framework will be implemented and scaled up to HCIII level, with community feedback mechanisms. As part of the package, health worker time at task and productivity will be improved through digitalization of service delivery in health facilities in a phased manner. This will be complemented by increases in medical supplies and equipment allocated to facilities.



18. **Program Strategic Relevance:** The program is highly relevant as it addresses key funding and institutional development challenges within the sector. The original UgIFT has achieved important results in terms of improvements of the adequacy and equity of health sector funding to LGs. The three years of LGPA assessment of functional performance of LG health management functions have shown significant improvements. However, during implementation it has proved important to address additional funding and institutional challenges including enhancing funding for additional health staff in underserved areas, the roll out of performance assessments and related funding to facility level and strengthening of the health sector LG oversight and support functions. These issues were also highlighted as priorities in the latest Mid-Term Review of the Health Sector Development Plan.

19. **Program Technical Soundness:** The program is technical sound. The assessment of the technical soundness of the program is based on practical experiences and lessons from UgIFT implementation FY2017/18-2019/20 and international lessons from strengthening decentralized health sector management including health sector result based financing. The program will deepen and adapt proven approaches from the initial years of UgIFT and develop and implement additional innovations that so far only have been tested on a smaller scale.

20. The updated MTP will provide a more balanced support for adequacy of funding of the health sector with additional attention to wage grant allocation, essential medical supplies, performance based NWR allocations for facilities as well as additional development funding to allow for formula-based allocations of development funding for rehabilitation, repairs and upgrading of existing facilities.

21. Equity issues will be addressed in a more comprehensive manner by addressing staffing challenges of the most understaffed LGs and facilities as well as through the inclusion of a formula-based development grant component.

22. Sector institutional performance management will be strengthened through enhanced MIS, central government LG support modalities and national roll out of facility-based assessment system. The initial promising results from result-based financing to selected facilities will be further reviewed and rolled out nationally. The combination of lessons from these DP funded initiatives for RBF in combination with the substantive lessons that Government have learned from 3 years of nationwide annual performance assessments of LGs will ensure a sound basis for development and practical roll-out of the RBF.

Water and Environment

23. In the **Water and Environment Sector**, it is proposed that the agenda for strengthening service delivery focuses, from the level of service delivery up, on the following:

- **Description of Additions and Changes to Water and Environment Sector Interventions and Assessment.**
RA1: A **medium-term plan for financing** water and environment services has been developed linked to sector costing and the available fiscal space, and this involves:
 - Increasing district water sector development grant over the UgIFT period with a view to reducing the number of sub-counties with safe water coverage below national average, increasing functionality of existing potable water supply sources and supplying water to public institutions including newly constructed schools and health facilities. Wherever possible this will involve connecting institutions to existing potable water sources. In addition to the local government management assessment, the sub-county service delivery assessments will also impact on development grant allocations.
 - The Water and Environment recurrent grant allocations will be increased, and the design of the grant strengthened to support clearly defined environmental management functions as well as the routine functions of the District Water Offices.



- RA2: At **central government level**, for rural water supply, this will involve financing and revitalizing technical support teams. NEMA and MoGLSD will provide guidance, oversee and ensure compliance to environmental and social safeguards during planning and implementation. MWE will also develop, in conjunction with local governments, management information systems for district water supply and sanitation. This will facilitate improved decision making for use and updating at the LG level (asset inventory, performance parameters and serviced population) which are integrated with national databases such as the Uganda Water Supply database. This will require a strong coordination with others, specifically IWMDP.
- RA3: At the district level there will be a focus on strengthening the management and monitoring of **water supply services, sanitation and environmental management**
 - The management of **district water supply services**, through the collection and compilation of more regular reliable and fact-based information on existing water supply and sanitation facilities using strengthened Management Information Systems and benchmarking. Districts will be supported and encouraged, in their plans and budgets, and based on available data, to prioritize the allocation of resources towards the least served sub counties and in order of functionality of existing systems. The monitoring of the functioning of water supply and sanitation facilities and community management arrangements will be strengthened.
 - Districts and Municipalities will strengthen **environmental and social management functions** in line with revised processes and guidance developed by MWE with support from NEMA and MoGLSD. This will initially include ensuring that environmental requirements are adhered to in the selection and implementation of public investments, including water resources management, and actions towards the protection and restoration of catchments.
 - Districts and Municipalities will also be required to ensure **adequate human resources** and tools available to manage and deliver water supply, sanitation and environment services in line with established basic requirements.
- RA4: At the level of **service delivery**, actions will focus on strengthening water supply at the **sub-county level**. Resources will target sub-counties, where functional water supply coverage is below a specified level. Resources will also target improving the functionality of existing rural water facilities countrywide. Access to safe water in rural areas with high demand will be expanded through the implementation of small piped schemes from existing high yielding sources and continuing with point water sources in other areas where piped water systems are not feasible. A strengthened framework for management of water supply and sanitation facilities at the sub-county and community level will be put into operation with support from the district. Performance of sub-county water supply and sanitation will be assessed annually, which will include a) the management of existing water supply and communal sanitation facilities including: their functionality, the population they serve, the status of water user committees and associated community hygiene practices and b) the degree to which sub-county plans prioritize investment to communities without access to functional water supply and sanitation facilities.

24. **Program Strategic Relevance:** The program is highly relevant as it addresses key funding and institutional development challenges. Funding of Rural Water Supply and Sanitation through has been declining in real per-capita terms since the beginning of the millennium. Meanwhile, the financing of environmental management functions at the local government level have been discontinued.

25. The MWE developed the Strategic Investment Plan for the Water and Environment Sector (2018-2030). The plan documents the investment needs and inadequacies of current level of finance. The UgIFT additional resources will enable the sector to cover 45 percent (up from 28 percent) of the annual investment required to



achieve the "Improved Drinking Water Coverage Target" in rural areas by 2030 according to the Strategic Investment Plan for the Water and Environment Sector (2018-2030).

26. The program will address critical institutional sector issues highlighted in the sector strategy:
- Staffing and water management capacities at district and subcounty levels,
 - The sustainability and functionality of the national coordination and regional technical support for local governments,
 - Strengthening of the water and sanitation MIS and its effective roll out to all local governments.
27. **Program Technical Soundness:** The program is technically sound and builds on well tested approaches and relevant innovations. The program will build on the proven approach of the LGPA for capacity development at LG levels. The water sector has for the last three years practiced use of water sector indicators within the LGPA, but this will now be rolled out at subcounty level and in future include fiscal incentives that otherwise have been missing in the water sector.
28. The regional structures for LG oversight and support have been tested well for more than a decade but relied on DP funding and can with the additional sector funding and new performance management instruments be transformed into a sustainable and more effective modality.
29. The use of transparent allocation formula for allocation of funds across LGs and the additional focus of underserved sub-counties will substantially address equity issues in the sector. The modalities for fund allocation will also incentivize effective fund utilization for service delivery.
30. The program will build on the proven approach to enhancing LG services in education and health while take lessons on board from previous UgIFT implementation. This includes the use of LGPA indicators for the water sector and the general need for strengthening central government oversight and support to LGs.

Micro Scale Irrigation

31. **For the irrigation sector, it is proposed that the UgIFT AF will support farmers in the development of micro scale irrigation,²⁶ which fall under the purview of MAAIF and LGs as per 2018 National Irrigation Policy.** The program will support individual irrigation, as this irrigation model is usually the cheapest one per hectare, it does not require shared infrastructure, and is thus the simplest option in terms of O&M arrangements, which fall fully upon the farmer. Support is expected to be of interest mainly for smallholder - mostly subsistence - farmers with potential to transform to more commercial agriculture. The program will support the development of a new system for delivering micro scale irrigation at the local level, which puts farmers at the center of the decision-making process. Farmers will express interest for the development of irrigation, following which a farm visit will allow deciding whether the farmer is approved based – among others – on water availability, business case, and environmental and social screening. Approved farmers will benefit from a partial subsidy for irrigation development. Farmers' upfront financial contribution will be a key element to ensure ownership in the investment, long term sustainability, as well as leveraging private finance to make the most of the limited public resources.
32. **The program will focus on the following:**
- **RA1: A medium-term plan for financing** micro scale irrigation is being prepared consistent with a nationwide roll out of the program of micro irrigation by 2023/24. This draws from a costing exercise undertaken for the Program to support micro scale irrigation. Activities under UgIFT AF will primarily cover 40 districts (phase 1 LGs), with preparatory activities in Year 2020/21, and infrastructure

²⁶ As per 2018 National Irrigation Policy, micro scale irrigation is defined as less than 5 ha.



development in Years 2021/22 and 2022/23. For the remaining districts (phase 2 LGs), the program will cover preparatory activities (but not infrastructure development) in 2022/23. In 2023/24, the year following the UglIFT AF, the program will be rolled out nationwide²⁷. The selection of the first phase of Districts has been made based on their marketing potential for the development of high value crops for which the highest benefit could be obtained from the introduction of irrigation, notably coffee and horticultural crops. The financing will be structured as follows:

- A window under the existing Production and Marketing Development Grant has been created. Funds under this window would be earmarked for micro scale irrigation. In 2020/21 seed grants totalling UGX 6bn will be provided to 40 LGs to: a) retool and build capacity of production departments and extension workers; b) develop farmers' knowledge in irrigation and disseminate information to farmers about the program; and c) support farmers' application process (expression of interest and farm visits). From 2021/22 to 2022/23 the full development grants amounting to UGX 50 billion per year will be provided, of which 75 percent will be grants for irrigation investments. The number of farmers beneficiaries and the number of hectares on which irrigation will be developed depends on a variety of factors: (i) size of the landholding of farmers expressing interest; (ii) irrigation technology chosen by the farmers, and consequent level of subsidy and co-payment; (iii) field characteristics of the farms. As this is a farmer-led Program, in which farmers express interest and are served on a first come first served basis, it is impossible to have a forecast of the number of beneficiaries. Over each of the two years, the Program would be able to support from as little as 2,000 farmers over 2,000 ha (in case of landholdings of 1 ha and preference for solar pumps) to as high as 31,000 farmers over 12,500 ha (in case of landholdings of 0.4 ha and preference for petrol pumps). It is expected that there will be a combination of landholdings and preference of technology: assuming for example an intermediate situation of farmers having a land holding of on average 0,7 ha, with 3 out of 4 eligible farmers choosing solar (as the most subsidized option), the Program would be able to support 4,000 smallholder farmers over 3,000 ha for each of the two years. In addition, in 2022/23, an additional UGX 17.6 billion of seed grants will be provided to the remaining districts.
- National government allocations within the MTP will cater for system development and capacity building associated with the phase in of the UglIFT AF program. Routine technical and performance improvement support will also be financed.
- **RA2:** At the **Central Government level**, MAAIF will be responsible for the design and coordination of LG development grants. MAAIF will also be responsible for technical oversight, including the pre-qualification of irrigation equipment suppliers, and guidance for LGs, for capacity building of staff at central and local level in irrigation and irrigated agriculture and for mobilizing the needed Farmer Field Schools (FFS) training. An Irrigation Management Information System (MIS) providing geo-tagged information on infrastructure and services at farmer, sub-county and district levels will be developed and maintained by MAAIF. This will provide a solution to the lack of actionable information (for instance statistical data) and monitoring to improve performance and accountability.
- **RA3:** At the **district level**, a micro irrigation grant will be administered, to support farmers co-finance of irrigation equipment and thus overcome the financial constraint hampering irrigation development. The

²⁷ DLI 2 for June 2023 for irrigation will require budget allocations for nationwide grants in 2023/24



production departments will be responsible for coordinating and monitoring the program, as well as feeding information into the MIS, providing geo-tagged information on infrastructure and services at farmer and district levels, with the objective of supporting performance improvement. Districts will be responsible for local sensitization to increase farmers' knowledge in irrigation (i.e. media campaigns, demonstration activities), coordinating the collection of farmers' Expression of Interest (EoI) and the farmer application process, ensuring eligibility criteria are objectively applied. Districts will administer the micro irrigation grant, support the farmer in the selection of the most appropriate irrigation equipment, be responsible for the collection of the farmers' co-financing and be in charge of the procurement process for the irrigation equipment in coordination with the farmers. Districts will support the training of lead-farmer FFS facilitators and ensure coordination of FFS and other extension services to the benefit of approved farmers. Districts will also monitor the irrigation program and support sub-county extension workers in coordinating implementation of the program and help poor performing sub-counties to improve. The district will monitor sub-county performance, feed the MIS, identify performance issues, and support sub-county extension workers to address challenges in implementation.

- RA4: At the **sub-county level**, farmers will express interest for the development of irrigation, based on which they will be deemed eligible. Sub-county staff will participate in the farm visit of eligible farmers based on which request will be approved or rejected. Approved farmers will be supported in the use of the irrigation equipment through the establishment of FFSs, which will be coordinated by sub-county extension workers and facilitated by selected and trained lead farmers, to enable them take full advantage of the irrigation investments.²⁸

33. **Program Strategic Relevance:** The 2018 National Irrigation Policy, cosigned by MAAIF and MWE, makes a compelling case for increased emphasis on irrigation. Micro irrigation can have a key role in making agriculture more resilient to climate change, as well as allow for intensification and diversification of production. Despite the availability of water resources and the increasing need for irrigation given recent droughts, irrigation in Uganda has not expanded. Currently, in Uganda, the ratio of cultivated area under irrigation to the irrigation potential is only 0.5 percent against an irrigation potential of 15 percent. LGs can have a pivotal role in the creation of the enabling environment for the development of micro irrigation among smallholder farmers and thereby contribute to poverty reduction. Irrigation is a function of Local Governments which has so far has remained unfunded – and the UgIFT intervention is in this manner highly relevant.

34. The program interventions supported under UgIFT are in particular derived from the Water for Agricultural Production Framework (WfAP) Implementation Plan (MAAIF March 2020). The overall objective of WfAP thematic area is to 'develop infrastructure and support services to increase access to and use of water for agricultural production (irrigation, water for livestock, aquaculture)'. The Priority interventions for the next 5 years 2020/21 - 2024/25 from this plan that specifically are supported include:

- Recruit and train Agricultural Engineers in all remaining District Local Governments
- Establish an explicit WfAP conditional grant to build on the existing Production and Marketing Grant and extension grant in the districts
- Establishment of effective and efficient coordination mechanism in the irrigation sub sector
- Establish technical Support units to DLGs in Agricultural Water Management (AWM) in every region

²⁸ In the long run, this support mainstreaming FFS as a core extension approach, funded under the non-wage recurrent conditional grant. MAAIF is currently receiving technical support related to this from FAO. For simplicity, training costs, including farmer field schools etc., can be funded from the irrigation development grant.



- Development of appropriate mechanisms for cost sharing, incentives and funding of WfAP -based interventions
- Promotion of micro irrigation technologies as part of the climate change adaptation and mitigation strategy.

35. **Program Technical Soundness:** As LGs have not in the past been funded to promote micro scale irrigation, then there are a large number of systems and procedures that have to be fully developed and firmly rolled out in the early phase of implementation or program preparations (unto June 2020). These issues related to: (i) technical guidelines to ensure effective establishment of micro scale irrigation, (ii) establishment of functional district processes and capacity to management of micro irrigation support (including establishment of staff, staff training and development of incentives for district levels grant management), (iii) Functional capacity for central government oversight and support to micro irrigation, and (iv) integrated National and LG Irrigation Management Information System (MIS). A Matrix of Key Actions to Improve Service Delivery Performance have been agreed and UgIFT will through the related DLI structure incentivize the systems development.

36. While many parts of the systems development yet are to be determined in detail, then the overall design is deemed sound as it reflects well on recent Ugandan key implementation experiences with regards to:

- The viability and effectiveness of focus on micro scale individual private farmers;
- The importance of simple procurement arrangements at local level that ensures clear lines of accountability and are fully in accordance with public sector procurement regulations, while combining farmer co-financing and LG contracting of suppliers;
- Use of the well tested and proven approach of the LGPA to ensure LG adherence to grant guidelines with corresponding fiscal incentives,
- Sound formula that reflect the purpose of the grants (initial allocation for LGs to ensure preparations) that largely is a fixed cost per LG) and later actual implementation which is need based and thus largely is related to number of farmers adjusted to land area and other factors agreed also for the overall PMG grant.
- Establishment of central government oversight and support structures that build on successful experiences from the rural water supply sector.

Cross Sectoral Interventions

37. A key value of the IFTRP, supported by UgIFT has been the development of **joint solutions across sectors to addressing challenges to service delivery**. UgIFT will address a number of cross sectoral bottlenecks across thematic areas following the same logic of the results chain. Specifically:

- **Human resources** for service delivery are a key crosscutting issue both for the delivery of services and for the management of those services at the district/municipal level. A strategy will be developed to improve time at task and productivity at the point of service delivery, with implementation starting in FY2020/21. The incentives for LGs to fill key positions will be strengthened, through introducing, minimum access criteria for the performance element of sector development grants as well as the DDEG. At the central government level, the management of staff across sectors and local governments will be strengthened and linked to grant allocations, ensuring that equity issues are addressed in relation to existing LGs and there is a systematic way of catering for new facilities.
- The experience with UgIFT so far has highlighted the issue of **Local Government Public Investment Management** that requires strengthening across sectors, including the selection, implementation and maintenance of public investments. New Guidelines for local government PIM will be developed and rolled out, covering project selection, ensuring there are cross-sectoral processes for the appraisal and selection of projects, and in procurement and contract management of public investments. At the national



level, the strengthening of joint oversight of selection of LG investments, including the institutionalization of joint supervision, led by MoWT of local government infrastructure projects and infrastructure audits, with a framework of follow up action. A local system for local government public investment management linked to the PBS and sector databases will be developed and piloted.

- The implementation of **Social and Environmental Requirements** related to public investments and to recurrent service delivery remains a key challenge and is therefore proposed to be a key priority for UgIFT implementation. To ensure implementation at the project level, PPDA will issue a bidding document incorporating social and environment provisions that will be adopted at Local Government level for the UgIFT AF. At the facility level, dissemination of guidelines regarding environmental and social measures and their implementation will be part of service delivery performance assessments. In the early stages of the project, environmental and social screenings/assessments will be undertaken, ESMPs developed and costed. To ensure that contractors implement ES provisions, the costs will be integrated into bills of quantities and the standard form of a contract will include penalties for non-compliance with environment and social risks mitigation measures/requirements. Requirements will be codified in LG PIM and other relevant guidelines and checklists included for the implementation of those requirements. At the central government level, NEMA and MLGSD will be included in coordination structures and will participate in joint monitoring of LG infrastructure projects. Functional central oversight of safeguards will be defined in the national sector performance assessments. Dedicated capacity to support the implementation of safeguards within LG PIM processes will support the national level oversight function with respect to LG infrastructure.
- Local Government **Budgeting, Reporting and Transparency** for Service Delivery Performance will be strengthened. Functionality in the Performance Budgeting System will be improved through: i. strengthening of formats and functionality for budgeting for service facilities and for subcounty service delivery and facilities; and ii. review and revision of the sector program and output structure in the chart of accounts as well as standard output indicators refined. *At the service delivery level*, there will be continued dissemination of strengthened work-planning, budgeting and reporting systems. A simple online platform will be developed, tested and piloted to facilitate work-planning, budgeting and performance and financial reporting for schools and health facilities linked to the PBS, OTIMS, OPAMS and Integrated Financial Management Information System (IFMIS). *At the national level*, sector ministries and MoFPED will strengthen their scrutiny of LG budgets and reports. This will be facilitated by improved functionality in the PBS to enable the online review of budgets. The budget website or equivalent will be further developed to provide combined information on service delivery financing and performance data, combining data from the PBS, OTIMS and sector management information systems.

38. **Program Strategic Relevance:** A key lesson from the implementation of UgIFT has been the usefulness of joint solutions of service delivery challenges across sectors. While previous UgIFT support has facilitated cross sectoral discussions of issues, and some cross sectoral activates like the joint cross sectoral LGPA and corresponding cross sectoral Performance Improvement Planning (PIP) using the National Resource Pool, then UgIFT AF will pay much wanted additional attention to service delivery challenges of a cross sectoral nature. The core areas identified for additional work in support of cross sectoral solutions are highly relevant and have been jointly developed and prioritized by the 13 involved MDAs.

39. **Program Technical Soundness:** The proposed set of activities presents a technical sound program of work. It is noted that the complexity of actions differs substantially, but technical assistance and consultancy requirements will be established as part of the annual work planning in order to ensure technical quality of actives. Some activities have more obvious lead agencies than others. While some proposed activities require more complex inter agency collaboration (like the development of cross sectoral strategy for recruiting, deployment and motivation of staff in hard to reach and hard to stay areas). It is critical that the Technical Committee and



Steering Committee ensure that implementation responsibilities are clearly assigned and incentives for completion of agreed actions are being provided for.

F. Interventions to Strengthen Service Delivery in Refugee Hosting Local Governments

36. **Uganda is the largest refugee hosting country in Africa and the third-largest in the world with 1.4 million refugees residing in the country, as of February 2020.** The size of Uganda’s refugee population reflects two surges in the inflow of forcibly displaced people into the country over the past five years: i) from South Sudan in July 2016, and ii) from the Democratic Republic of Congo (DRC) in early 2018.

37. **The refugee population resides in Kampala (79,958) and 12 Local Governments located in the North-East, East and South-East of the country (Table 1).** The majority of the refugees lives in 13 settlements located within 12 districts, and accounts for 94 percent of the total refugee population, equivalent to 1.4 million. With a host population of 4 million, refugees constitute thirty-five percent of the population in these districts, 52 percent (0.68 million) of which are female (Table 1A, Annex). In sum, the continuous inflow of refugees since 2016 has boosted total population in 12 districts by about 25 percent.

Table 2.5. Refugee Hosting Districts

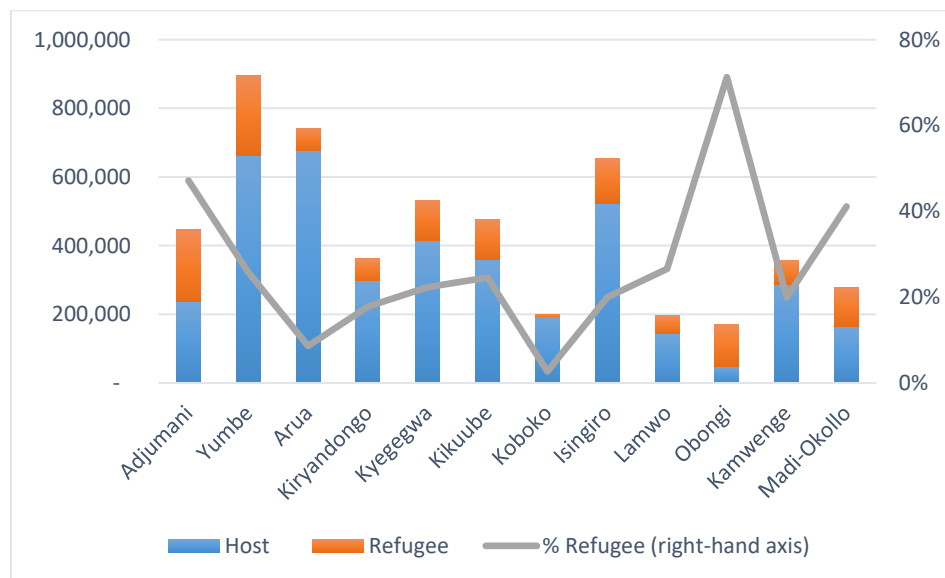
Local Government	Total					Towns & Subcounties	
	Host	Refugee	Grand Total	% Host	% Refugee	Towns	Subcounties
Adjumani	235,900	210,904	446,804	53%	47%	1	9
Yumbe	663,600	231,065	894,665	74%	26%	1	12
Arua	678,600	63,929	742,529	91%	9%	-	17
Kiryandongo	297,200	64,229	361,429	82%	18%	3	4
Kyegegwa	413,700	118,876	532,576	78%	22%	1	8
Kikuube	358,700	116,915	475,615	75%	25%	2	5
Koboko	193,500	5,380	198,880	97%	3%	-	6
Isingiro	524,000	130,462	654,462	80%	20%	4	15
Lamwo	143,800	52,079	195,879	73%	27%	2	9
Obongi	49,100	121,890	170,990	29%	71%	1	3
Kamwenge	285,500	71,170	356,670	80%	20%	3	8
Madi-Okollo	164,200	114,681	278,881	59%	41%	1	9
Grand Total - LGs Only	4,007,800	1,301,580	5,309,380	75%	25%	19	105

Source: UNHCR December 2019, <https://data2.unhcr.org/en/country/uga> and UBOS [to be updated]

38. **The share of refugees in each of the 12 hosting districts varies considerably, and overall close to 40 percent represent school age children.** The variability of the refugee share in total district populations is high, ranging from 72 percent in Obongi down to 2 percent Koboko, respectively (Figure 1). One-third of the refugee population outside Kampala is concentrated in two districts, Yumbe (232,109) and Adjumani (213,580), where they constitute 48 percent and 26 percent of the total population respectively. Overall, 43 percent of the refugees are school aged (5-17 years), 49 percent of which are female. In Obongi, the population of refugee school going age is close to three times the size compared to those from the host community, while in Adjumani they account for 53 percent of the total school aged population.

39. **The school aged children are served by 179 non-government primary schools,²⁹ financed by humanitarian partners.** Transitioning all non-government schools to local government systems over the next three to four years would require finances beyond the available resource envelope. Therefore, a subset of schools will have to be prioritized based on the needs of each district. UgIFT’s medium term plan has budgeted for the transition of approximately four schools per district in FY2021/22, except in Koboko which has only two schools. To arrive at the number of schools to be transitioned in each local government, a more detailed analysis of the needs of each local government will be conducted, in cooperation with humanitarian development partners.³⁰ This will provide a transition to a sustainable financing model integrated into the national system in line with Uganda’s Education Response Plan for Refugees and Host Communities rather than humanitarian partners having to keep providing ongoing recurrent costs each year.

Figure 2.1. Refugee-Hosting District Population



Source: UNHCR December 2019, <https://data2.unhcr.org/en/country/uga> and UBOS

Description of Interventions

40. **Service delivery in refugee hosting local governments is fragmented, the coordination between the multiple humanitarian actors and local governments is inadequate, and the sustainability of those services is unclear, given the prospect of declining humanitarian funding.** Humanitarian, non-governmental organization (NGO) and community-based actors support a large number of health facilities, schools, and water supply schemes in the camps and settlements, whilst local governments provide services to both host and refugee communities through public facilities. There are significant disparities in the resources available to service facilities. Meanwhile, UNHCR reports humanitarian financing has been on a downward trajectory, whilst the refugee population is unlikely to decline significantly in the medium-term. This means that an increasing number of schools, health and water supply facilities dependent on humanitarian financing may be forced to close or limit services, which would put further strain on existing over-stretched facilities. Therefore, by ensuring the continuation of services in the

²⁹ UNHCR (2020)

³⁰ This analysis will be based on, amongst other factors, enrolment and school-going aged refugee population.



most critical areas UgIFT will contribute to better schooling outcomes, better health care, and improved water supply to refugees and their host communities.

Box 2.1: Integrated Service Transition and Investment Planning

UgIFT plays a positive role in catalyzing the impact of other World Bank supported operations working on forced displacement issues and strengthening their sustainability. UgIFT is linking bottom up community and top-down sectoral approaches with a more effective district oversight and administration as well systems that incentivize better service delivery at the facility level. This is strengthening the efficiency and effectiveness across these operations and improving the overall CRRF aim of transiting from humanitarian assistance to decentralized district management of development programs across refugees and host communities.

Both USMID and UgIFT focus on strengthening institutional performance of the LGs and the budgetary integration ensures complementarity in planning for funding from the Development Discretionary Equalization Fund and sector-specific allocations. These complimentary approaches strengthen decentralized governance and planning in refugee districts in infrastructure and social services to enhance planning processes and facilitate the transition from the emergency response to long-term development and socio-economic integration.

DRDIP's infrastructure investments represent a bottom up community drive but aligned to district plans. The capacity support extended to district technical staff by UgIFT will ensure enhanced management of DRDIP infrastructure and recurrent financing for necessary staff, operations and maintenance. This will enhance sustainability and their integration into broader district sector planning.

UgIFT will ensure better integration of water schemes under the Integrated Water Management and Development Project transitioned from humanitarian to local district management. These water schemes will be better integrated into District level planning and resource allocations to improve planning around operation, maintenance and management, hence ensuring financial sustainability over the long term.

Finally, UgIFT was designed along with USEEP to support decentralization of the education system. UgIFT will support sustainably increasing resources to local governments and the facility level in terms of, for example, capitation grants. USEEP, meanwhile, will contribute to secondary education expansion based on the needs identified at the local level, including through building schools, adding new classrooms to overcrowded schools, providing dormitories, and the finishing of incomplete school structures. While UgIFT also supports the building of schools through the development grant, both projects work in tandem to reach the GoU's target. In addition, UgIFT supports district activities such as school inspections and performance assessments on the facility level, which further complements the support under USEEP.

41. Significant investments are being made in service delivery for refugee hosting districts and UgIFT will support strengthening their sustainability and coordination. The World Bank, through Development Response to Displacement Impacts Project (DRDIP, P164101) is supporting bottom up decision making to deliver community infrastructure in sectors including health, education and water. The World Bank financed USMID is providing discretionary development funding to districts and lower local governments, via the Discretionary Development Equalization Grants. UgIFT will support a balanced package of investments, which both respond to the needs of local communities, but also ensure the entire service delivery chain is financed. For example, whilst communities understandably prioritize the building and equipping of basic health facilities close to them, one of the major constraints to service delivery in hospitals is the lack of a functional referral system. Host and refugee emergencies alike bypass level 3 and 4 health facilities and go straight to General Hospitals, putting a strain on higher level facilities. UgIFT will incentivize more effective sectoral financing within Districts, which should lead to better health services to refugees and hosts and thus contributing to enhanced human capital.

42. UgIFT will play two important roles: first, it will promote more coordinated and strategic investments in service delivery; and second, it will provide a pathway to sustainable financing of health, education, water supply and sanitation services for host and refugee communities. It will achieve this by delivering sustainable



financing and promoting integrated local government decision making for service delivery in refugee hosting local governments over the medium term, consistent with the logic of the overall results chain and the refugee and host community sector Response Plans in: education; health; and water and the environment. The objective is to integrate the delivery of services to refugees and their host communities within the LG delivery system as envisaged under the Comprehensive Refugee Response Framework. This will involve the following:

- **RA1: UgIFT will support sustainable recurrent financing of local government service delivery for hosts and refugee communities through wage, non-wage recurrent and development grants.** Refugee population will be factored into population-based allocation variables used in grant allocation formulae from FY2020/21 financial year onwards. This is a significant step forward which effectively integrates refugees into District level sectoral resource planning. UgIFT will finance the transfer of an agreed number of health facilities, primary schools and water schemes from humanitarian partners financing to the local government system, including both salary and operational costs via sector conditional grants. Several of the refugee hosting LGs are also amongst those which have the least staffed facilities. Under UgIFT, these LGs will also be supported to raise their staffing levels. Recurrent and development grants will also increase in refugee hosting LGs relative to others, with the refugee population included into allocation variables. In addition to the integration of the refugee population, the mainstreaming of Results Based Financing in health and the use of enrolment numbers in capitation transfers in education will ensure that the demand for services by refugees is reflected in operational financing. UgIFT will therefore enable and support the initial transition towards sustainable financing of service delivery over the long term across refugees and host communities.
- **RA2: Sectors will support the development of guidelines to ensure the orderly transition to integrated local government service delivery financed through the grant system for refugees and host communities. This will include more coordinated and strategic sector planning for service delivery infrastructure and equipment in refugee hosting LGs.** The latter will include a framework for transition planning, which includes the identification of humanitarian financed facilities for transition to the LG system based on objective criteria, the registration of those facilities, the transition of staff onto LG payrolls and the provision financing for salaries and operational costs. In addition, a framework for strategic and coordinated investment in schools, health facilities and water systems will ensure that existing public facilities and those identified for transition meet basic minimum standards of infrastructure and equipment. This integrated approach will strengthen District level social sector planning by incorporating all funding sources, including all on-budget support, such as sector development grants financed by UgIFT, other World Bank financed operations such as USMID, DRDIP, Northern Uganda Social Action Fund (NUSAF, P149965), Uganda Secondary Education Expansion Project (USEEP, P166570), and where possible off-budget humanitarian support. Such an approach will address a gap of poor tracking and planning across a broad range of development and humanitarian funding sources and help link the bottom up approach employed in operations and sectoral specific projects. Refugee hosting local governments will be supported to develop integrated transition plans and align their budgets to the implementation of those plans which will sustainably strengthen the capacity of Districts to sustainably manage budgets covering these sectors.
- **RA3: Refugee hosting local governments will improve the management and efficient use of resources for service delivery to hosts and refugees.** Improved planning for and implementation of a transition to integrated service delivery by refugee hosting LGs will be supported. The transition of services will be combined with the nationwide UgIFT interventions in the form of performance assessments and



performance improvement plans, which in unison will help strengthen the management of service delivery by LGs.

- **RA4: In turn this will enable improved, more consistent and sustainable service delivery for refugees and their host communities over the long term.** It will improve efficiency by reducing parallel management and administration costs by humanitarian partners and empowering LG management of resources based on population needs through a wholistic mapping of available financial resources.

43. **The integrated service delivery approach for refugee hosting LGs will be implemented initially in education, health and water supply as follows:**

- **Education:** There is a large number of community-run schools in districts hosting both refugee and local communities, funded by humanitarian actors.³¹ Humanitarian funding for these schools is declining, while pressure on local education services is increasing as refugee inflows continue. This calls for urgent action to ensure that services continue to be provided to children. These actions involve transitioning schools from being run by communities and humanitarian partners to being operated by local government within the national education system. The transition involves the following: i. identifying the schools to be transitioned to LGs over the medium term based on objective criteria; ii. coding the schools to the government systems and formalizing the transition; iii. moving teachers onto the government payroll; and iv. starting to pay capitation grants to schools for both refugee and host community children enrolled in transitioning schools. Simultaneously, existing government facilities will be identified that have the potential to better serve additional host and refugee populations. Local governments will be provided with guidance for transition planning and supported to develop transition plans. The recurrent grant allocations will automatically adjust to demand from refugee population, as they are enrollment based and will now treat refugees and host communities as the one population. Furthermore, integrated LG sector investment plans will identify priority investments required in existing primary and secondary schools and those identified for transition to bring them to basic minimum standards to improve the quality of services. The Education Development Grant, supported by UgIFT, will focus on primary education, whilst the USEEP, another World Bank financed project, will focus on secondary education and the integration of refugee students at that level.
- **Health:** The increased refugee population has put pressure on LG health service delivery without a concomitant enhancement in resource allocations. As a result, referral systems are under strain. Health center IIIs and IVs often do not have the capacity or capability to handle referral cases, which puts pressure on Regional Referral hospitals. Limited blood transfusion services is also a significant challenge impacting of maternal mortality. Meanwhile support from humanitarian partners to service delivery within and around refugee camps is dwindling. Therefore, it will be difficult to maintain current levels of services, which will put even more strain on the system. The transition to the LG transfer system will involve the following: i. identifying the facilities to provide basic levels of care to refugees and host community; ii. identifying staff for transitioning onto the government payroll; and iii. non-wage recurrent grants will provide adequate ongoing funding to facilities, with high output HCIIIs benefiting from increased funding via RBF. In addition to transitioning health facilities, focus will also be placed strengthening staffing along the referral chain and absorbing staff supported by humanitarian actors at these facilities as well. In addition, focus will be placed on strengthening health promotion through village health teams and other

³¹ According to UNHCR data, 179 schools are financed by development partners.



community change agents transitioned from humanitarian outreach systems. Development grants will prioritize investments which ensure facilities that have basic infrastructure and equipment and improve the functionality of the referral system. The Ministry of Health will: i. prepare guidance to LGs for transition planning in line with the Health Sector Integrated Refugee Response Plan 2019-2023; ii. support the roll-out of harmonized service delivery and health promotion packages; iii. prepare guidelines for village health teams (VHTs) and other community health change agents; iv. provide service delivery kits to VHTs and other community change agents; v. incentivize VHT work through monthly allowances; vi. strengthen coordination for health and nutrition refugee response into national systems; and vii. support evidence generation/operational research on integration of refugee health services and the impact of integration of service delivery. In addition, two regional blood banks will be constructed in Hoima and Arua to improve reduce maternal mortality for refugees and host communities in these areas.

- **Water Supply:** The management of water supply services to refugees and their host communities will be mainstreamed. The latter includes the integration of services provided to refugees and host communities into the local government system, and support provided for transitioning to local governments systems, where appropriate. This supports the World Bank financed Uganda Integrated Water Management and Development Project (IWMMP, P163782) by better integrating transitioned water schemes into District level planning and resource allocations. The MWE will coordinate guidance for the transition and amalgamation of service delivery and the refugee population will be integrated into a grant formula. This should help avoid duplication of efforts for these transitions. As part of the strengthening of the sector MIS system, functionality will be developed to enable regular data collection from refugee settlements on water supply and sanitation facilities, in alignment with the Water and Environment Sector Response Plan for Refugees (2019-2022). Guidelines for refugee hosting LGs will also prioritize activities related to the management of environmental degradation resulting from the additional pressure of refugee settlements.

44. The transition of staff to the LG system may prove challenging in practice at the local level, and this will require special focus from the Ministries of Public Service, Health, and Education, so that practical issues can be resolved. As part of the development of transition guidelines, these ministries will develop guidance for local governments to manage the staffing transition and then offer practical support, in the context of UgiFT oversight and technical support processes, to the transition process.

45. The integration of refugees in District financial planning and allocations is incorporated within the selected DLIS, DLIS 1 and 2 cannot be achieved without the integration of refugee population into the formulae. Specifically, DLR 1.1 require the staffing requirements of transition plans to be factored into wage grant allocations. Similarly, DLR 1.2 and DLR1.3 require the refugee population to be factored into the respective non-wage recurrent and development allocation formulae. Also, the service Delivery Improvement Matrix underlying DLI 3 involves a section related to service delivery in refugee hosting LGs, with 16 actions, and with a value attached of US\$16m. Finally, improvements in the management of and delivery of services by refugee hosting LGs form part of DLIs 5 and 6, and Interim Results Indicators in the results framework will track progress in refugee hosting LGs.

46. Overall, refugee hosting districts will receive an estimated funding increment of USD12.8 million between FY2020/21 and FY2023/24. Ad hoc development allocations for the construction of seed secondary schools and health center II upgrades are not included in this amount as these allocations are made independently



of the refugee response plan.³² Of the total increment, 58 percent (or USD7.4 million) results from the addition of refugee populations into population-related variables, and 42 percent (or USD 5.3 million) from the transition of service delivery units to local government systems.

47. **The estimated budget increments to the refugee hosting districts will enable the transitioning of 35 non-government health facilities, and 46 schools to LG systems.** According to UNHCR, there are 35 non-government health facilities located in the 12 refugee-hosting districts, 26 health center IIs and 9 health center IIIs. The projected spending increments to these districts will provide sufficient funds (i.e. wage, non-wage recurrent and development) for the transition of all health facilities to sustainable local government management.³³ As agreed with GoU, the final list will be cross-checked by the Ministry of Health (MoH) during FY2020/21 before finalizing the exact number and location of facilities to be integrated. This will also be undertaken in close partnership with UNHCR and the NGO and CSO partners currently managing these facilities.

Technical Assessment Summary

48. **Program Strategic Relevance:** The Government of Uganda is implementing a progressive refugee model that involves; open border, non-camp policies, free integration of refugees, equal access to government provided social services, a chance to work, and land allocation for farming and shelter. This policy direction is in line with the New York Declaration for Refugees and Migrants³⁴. The model is espoused in the Comprehensive Refugee Response Framework (CRRF) and in line with the Refugee Act 2010 and Refugee regulations of 2010 that provide for access to same public service by national and refugees. The proposed actions are strategically relevant because they are in line with the government development agenda and the sector refugee response framework for example, the education refugee response framework planned for paying of increasing teachers supply and quality by among others paying salaries of the teachers in 100 percent of the schools (Education Response Plan for Refugees and Host Communities in Uganda - 2018). Integrating delivery of social services to refugees and their host communities within the LG delivery system is highly relevant mainly for three reasons;

- a. This policy direction is in line with the New York Declaration for Refugees and Migrants that calls upon the States to stand in solidarity with refugees and share the responsibility and burden for hosting and supporting refugees
- b. It is in harmony with the existing national policies as elaborated in the CRRF and the sector refugee response framework. This is actualized in the Settlement Transformation Agenda (STA) that led to the integration of delivery of social services to refugee into Uganda's National Development Plan thus making them part of Uganda development agenda.
- c. The increasing number of refugees (1,394,678 as at end of January 2020³⁵) coupled with Uganda's open-door policy on refugees has put great strains on the available resources. For example, in Adjumani District, there are 212,710 registered refugees which is slightly below the host population of 235,900 persons³⁶

³²The estimated increments presented in this document may change on the margin, depending on the final formulae used by each sector for the FY 2020/21 allocations.

³³ Estimates based on the average wage grant provided to Health Centre IIs and IIIs in FY 2019/20 and non-wage recurrent and development allocation formulae used in that fiscal year by the health sector.

³⁴ New York Declaration for refugees and migrants: refugeesmigrants.un.org/declaration

³⁵ Uganda comprehensive refugee portal: ugandarefugees.org

³⁶ *ibid*



49. **Program Technical Soundness:** The proposed interventions are technically sound and will ultimately contribute to improved service delivery to the refugees and host communities. However, to achieve the best there is need to ensure the following issues are taken into account during implementation:

- a. Transitioning teachers in the schools in the settlements to the government payroll. The Education Act provides conditions that must be fulfilled before a teacher can be enrolled particularly someone must have attended training and must be registered and licensed. In many of the settlements, the schools rely on using the classroom assistants who do not possess requisite qualification to be enrolled on the government payroll. Additionally, enrolling the teachers on the payroll will require changes in the ceilings to accommodate these teachers, the challenge however is that once the ceilings are opened the districts may be tempted to fill the outstanding vacancies that exist in other areas outside the settlement. There is thus a need to explore the possibility of using an accelerated approach to retain, register and license refugee teachers. This may require training these teachers to obtain the requisite qualifications. This transition will also necessitate enhancing the capacity of the DEO's office to adequately inspect the increasing number of schools resulting from the transition.
- b. Relatedly, because of remoteness of the settlements and absence of support services like teachers'/ health worker accommodation, attraction and retention of teachers and health workers may prove challenging in the near future especially so that these staff may lose some incentives (like allowances) that they have been receiving from agencies when the facilities transition.
- c. In transitioning health centers, the focus is on health facilities within the settlement (with some support to refurbishing the blood banks in Arua and Hoima). However, there are a number of HC IVs that provide referral support to the refugees and also would supervise the lower health facilities in the sub-district. In many these HC IVs the partners have been enhancing their staffing levels (with dedicated staff paid by agencies to supplement the available government staff) however with the dwindling resources this support may not be available in the near future.
- d. Although the CRRF and STA stress integration of refugee service delivery functions in the district development plans, annual work plans and budgets this has not taken off. There is a need to support LGs in among others; effective coordination of inter-agency meetings and integrating partner activities in the DDPs, AWP and budgets. In this way service delivery in refugee settlements will be mainstreamed and service delivery will be coordinated to avoid duplication and leverage the available meagre resources.

40. **The table below sets out the detailed Medium-Term Plan for financing local service delivery in refugee hosting local governments.**

Table 2.6: Allocations to Refugee Hosting LGs in the Medium-Term Plan for Financing Local Services

Total Allocations - Refugee Hosting Districts	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
	USD	USD	USD	USD	USD
Health	12,111,555	13,670,475	17,161,386	18,474,832	20,108,158
Wage	10,425,888	10,425,888	12,095,822	13,139,916	13,139,916
NWR	1,516,647	2,687,338	4,123,154	4,394,216	4,863,687
Devt	169,020	557,248	942,411	940,700	2,104,555
Education	36,377,526	38,030,045	42,804,587	46,640,062	48,285,418
Wage	28,210,870	28,210,870	31,083,328	33,028,093	33,028,093
NWR	6,796,528	7,915,778	9,269,028	10,577,406	11,270,633
Devt	1,370,128	1,903,396	2,452,231	3,034,563	3,986,692
Water	1,415,633	2,635,702	2,665,014	3,279,824	3,312,694
NWR	144,659	381,533	396,207	410,882	443,752
Devt	1,270,974	2,254,169	2,268,806	2,868,942	2,868,942
Total - 3 Sectors	49,904,715	54,336,221	62,630,986	68,394,718	71,706,271
Wage	38,636,758	38,636,758	43,179,150	46,168,009	46,168,009
NWR	8,457,835	10,984,649	13,788,389	15,382,503	16,578,072
Devt	2,810,122	4,714,814	5,663,448	6,844,206	8,960,190

MoFPED (2020).

G. Economic Analysis

Introduction

41. **An economic analysis was undertaken to identify and measure the net economic benefits of the project, and its economic viability.** Specifically, the cost-benefit analysis calculates the net present value derived from the anticipated actions stemming from the policy improvements incentivised by the draft DLIs, including equity and adequacy improvements outlined in the medium-term plan (MTP).

42. **Overall, the benefit: cost ratio is estimated at 1.73, with discounted costs amounting to US\$1,493 million, and benefits totalling US\$2,587 million, and thus a positive net present value of US\$1,095 million.** The cost-benefit analysis was undertaken based on the UgIFT intervention areas. The analysis continues with a list of non-quantifiable benefits, a sensitivity analyses and comparisons to alternative options. The analysis concludes with a summary of results. The full assessment forms part of the Technical Assessment.

Cost benefit analysis

43. **The Cost Benefit Analysis (CBA) examines the total discounted cost of the loan, including the GoU financing, and compares these costs to the economic and social benefit from the major areas of spending.** Following GoU's precedent (and in line with World Bank practice of applying a discount rate of between 10 and 12 percent), a discount rate of 11 percent has been applied. The date of commencement is July 1, 2020. The loan structure reflects IDA19 terms.

44. **The CBA calculates the net present value derived from the anticipated actions stemming from the policy improvements incentivised by the draft project DLIs.** These include equity and adequacy improvements as outlined in the first two DLI, which underpin the medium-term plan (MTP). The other four DLIs reflect efficiency considerations and are underpinned by DLIs 4-6, while service delivery is addressed directly under DLI3.

45. **The approach in conducting the primary cost-benefit analysis for the central cost-benefit scenario is to:**



- review the literature on rates of return, including Ugandan, East African and Sub Saharan, and other Uganda-based project appraisals relating to the major areas of intervention.
- collecting guideline rates of return and assess their suitability to the context.
- Calculate the benefit and costs of likely distributions of spending based on the collected guideline rates.

46. **Costs have been estimated based on the MTP.** Costs induced by the program including maintenance of infrastructure, higher nominal non-wage recurrent levels, and induced staffing to those furthest-behind LGs, have been included in the analysis. In addition, substantial farmers' investments to prepare for and maintain enhanced farms as a result of the irrigation subsidy, are also included.

47. **Details of the evidence base for social and economic returns is presented in the Technical Assessment.** This includes the major intervention areas under UgIFT AF the evidence relating to each intervention, as well as the size of the effect, where possible. The evidence has been selected based on quality considerations and relies on the results of experimental evidence included in systematic reviews or recent studies in the region.

48. **Final Benefit and Cost Assumptions.** Based on the analysis performed, the final set of assumptions for each of the sectors and cross-cutting areas are detailed below.

- Education. The rate of return used is 9.3 percent for each additional year of education resulting from the Program (from Psacharopoulos and Patrinos, 2018). Wages are calculated relative to the agricultural wage in the 2016/17 Labour Force Survey of Ushs. 100,000 per month.
- New secondary schools result in additional enrolment and resulting wage increases (around 60,000 will eventually attend the additional secondary schools).
- Smaller projects are likely to be more beneficial than wholly new schools, and Wokadala et al. (2019) presents some compelling evidence for the impact and cost-effectiveness of that choice, if it is made. 3,200 additional classrooms at the primary education level are included in the analysis.
- Based on, for example, Evans and Popova (2016); Oye et al (2016), a 1 percentage point increase is gradually phased-in from the last year of the project across the primary school government system. This reflects school performance management and oversight reforms.
- Based on Pradhan et al (2016), health benefits from education quality and enrolment increases listed above are included at 5 percentage points for enrolment and 1 percentage point for quality enhancements.

49. **Overall, 2 percentage points of additional earnings and social value equivalent - over the base of 9.3 percentage points earnings impact from each year of education, the LIC average - reflects the extent of interlinked interventions under UgIFT to aggressively tackle quality and inefficiency issues.** While this is ambitious, relative to potential for learning gains in the sector over the long term – which could see the gains to a year of education more-than-double if quality in Uganda was to shift towards leading LICs from its current position - this is a manageable estimate.

50. **Health.** From the Pradhan et al 2016 analysis, the low-income country per DALY cost of maternal care is estimated at US\$147. This is among the highest DALYs likely to be provided by lower level facilities. Based on this, NWR and drug spend is scored at 80 percent efficiency, while construction and maintenance is scored at 50 percent efficiency (this means that a DALY costs US\$294 of additional investment in construction and maintenance).

51. **Irrigation uses the farm budgets estimated based on prior analytical work undertaken by the World Bank.** Benefits are lagged by one year from costs to reflect likely procurement timing and first use; plant is



replaced every nine years by the farmer, with major servicing every three years for diesel installations. Additional farm labour wages stemming from more productive farms are included as part of the social benefit of the project.

- **Water and Sanitation.** Based on the sector Strategic Investment Plan 2018-2030, UgIFT provides a percentage of the funds necessary to complete coverage for village water supplies. Each person benefitting from a water supply system would result in a 37 percent reduction in the incidence of diarrhoea in the target communities (there are 1.22 episodes per Ugandan per year, across all ages (Global Disease Burden, 2018)).

52. **In addition to health benefits, the time saved by water supply installation has been estimated at a quarter of an hour per user, three times per week** (current average distance is 27 minutes – it is assumed that projects will be built in outliers). Time value uses the agricultural earning level of Ushs. 100,000 per month (from the 2016/17 Labour Force Survey).

53. **The impact of this component depends critically on selection of areas with the least prior coverage and projects with comparable cost-efficiency to the village supply schemes.** Education around hygiene and ancillary community support for new infrastructure would need to be effective if projects were to result in the levels of benefit estimated.

54. **Performance improvement.** An efficiency factor of 5 percent is used on the non-USMID portion of the Discretionary Development Equalisation Grant. This prevents overlaps with other benefit calculations – since its a separate allocation – while reflecting a small portion of the spillovers of UgIFT Additional Financing to non-funded sectors. Benefits are calculated for the project duration plus one additional year only.

55. **Other costs.** The loan itself is valued at \$294 million; discounted repayments total only \$46 million. However, the largest single cost is other costs accruing to farmers, for initial preparation of the farm, co-payment, and increased inputs. For the three other sectors, maintenance costs of 2 percent of construction value are included in the analysis, along with the recurring nominal shilling increase in the NWR grants for two decades.

Non-quantifiable benefits

56. UgIFT documentation emphasises the institutional strengthening role of the program, and this includes the AF. It is likely that some of the main benefits will outweigh the scope of the current analysis. These include:

- **Spillover effects of LGPA are likely to go beyond quantified improvements.** The LGPA is intended to incentivise better local government performance, which should result in better performance management. While this is valuable, it is difficult to find literature on local government fiscal multipliers; and more difficult to estimate a rate of return on every additional shilling of effective spend at the LG level.
- **Increases in the environment and natural resources NWR grant are not directly quantified.** It should be noted that formula reforms benefit the poorest LGs.
- **Welfare gains from increased equity are not quantified.** This is partly due to the fact that underinvestment is pronounced, even in better-off areas, but also due to a lack of techniques available in the time allotted.
- **The full impact of additional staffing in the furthest-behind LGs.** Robust linkages between additional staffing and service delivery outcomes are hard to find.
- **Strengthening LGs' ability to spend well, is intended to build support for further GOU resources to be sent to LGs for other key interventions under the IGFT Reform Program;** however, it is difficult to estimate the likely extent of the GoU reaction.
- **Impacts on LG own-source revenue;** these may be negative or positively associated with increased funding. Recorded own-source revenue is negligible.



- **The effects of improvements in grant design based on project experience as the project continues.** One key idea behind grant reform is to strengthen LGs; sections of LGPA aim to provide incentives for LGs to “learn to invest”. This could be reflected in the cost-benefit analysis, however there is a lack of rigorous evaluation on investment-based learning.
- **Linking planning more closely with execution.** This is difficult to quantify except by way of a secondary effect, for example better service delivery, which is already calculated.
- **Extending school inspection payments to private schools.** Due to uncertainty around recent sector estimates on the extent of the private sector, this was set aside.
- **Basic LG-funded investment** could catalyse additional development partner investment and allow DP investments to perform better. The benefits of Development Partner funded complementary temporary investments (on- and off- budget) should endure for longer, if GoU supported by UgIFT provides a reasonable, predictable level of basic social investments.
- **Staffing impacts via the purchase of intermediate goods** are not counted as beneficial, as is standard practice in similar analyses.

Sensitivity analysis

57. **The sensitivity analysis estimates the consequences regarding the NPV and other measures of the project to various project interventions not being carried out** (for instance, if key actions are not taken in line with the proposed DLIs); and various choices within the investment menu that might be taken by LGs which affect the total estimated return.

58. **Key sensitivities and potential impact risks assessed include the following:**

- Component underperformance. The program is robust to large component delay and underperformance.
- Reduction in productive capital expenditure at central government level in response to increased LG capital expenditure. This was not observed in preceding years. Decisions on capital budgets do not seem to be taken jointly across LGs and MDAs.
- Some LGs do not qualify for initial financing, for example for the irrigation component. Absorption of the resource elsewhere is unlikely to be an issue, as resources can be re-allocated the next year; and costs shrink as benefits shrink for micro irrigation, as most costs are paid by farmers during the ongoing running of their farms. The same is true of other areas of intervention.
- Some LGs do not invest using the guidelines. This is unlikely to threaten the total value of the project, as so many of the benefits are based on Non Wage Recurrent interventions where guidelines are less dependent on selection.
- Lower return areas of investment from the choices under the spending provided are chosen by LGs; for instance, experience suggests that schools were not always built in the neediest areas under UgIFT. Throughout the costing, a conservative stance has been taken.

Design alternatives

59. **Removing UgIFT entirely.** It is likely that service provision would continue to stagnate or deteriorate further given high population growth and nominal funding stagnation prior to UgIFT. Without LGs being funded sufficiently to be functional, operational change and learning stemming from other Bank and Development Partner projects would not take place. This would have detrimental effects on service delivery at the facility level in critical service areas for growth and poverty reduction.

60. **Continuing with UgIFT as-is without the additional financing will omit the following:**



- The micro irrigation; and water and environment components. This comprises support to over 12,000 farms and restoration of historical grant levels under water and environment;
- A significant increase in health drugs coverage in lower level facilities, which provide over 90 percent of government-delivered health care in Uganda;
- Targeted staff increases for those LGs furthest behind, which complement increased equity and adequacy in development and NWR spending;
- The addition of incentivised policy changes which have the potential to improve service delivery for all facilities in all four sectors under DLI3;
- The expansion of performance assessment to schools, health facilities and central government bodies.

61. **An IPF design.** An IPF design removes the possibility of follow-up funding from GoU (as a result of budget inertia, which is a primary benefit of using the P4R mechanism on-budget); and reduces the scope of potential governance improvements, which might be gained by setting the straightforward and prioritised targets in this P4R design. Often, IPFs work in parallel, rather than through, government systems. P4R under UgIFT AF secures a 'double dividend' for service users; the induced additional investment, plus targeted policy and behavioural changes via the DLIs; the latter of which does not follow from a pure IPF design. IPF designs will not be able to tackle non-capital portions of the budget, so that complementary spending opportunities will be lost.

62. **Central government execution of sector interventions** would ignore the GoU's legal assignment of many basic service responsibilities. Additionally, LGs may benefit from the principle of subsidiarity; decisions made at a level of government 'closer to the people' in a populous country such as Uganda are, arguably, likely to be more appropriate to the priorities of the service user. Some evidence to support this is available from neighbouring countries including Tanzania (Barr et al. 2012 is an example). The AF design builds on and enhances specific components of IFTRP and UgIFT which increase government effectiveness and responsiveness at the LG level.

Conclusion

63. **Overall, the project's benefit-cost ratio is estimated at 1.73, which compares favorably to other, similar projects** (Table XX). The NPV totals US\$1095 million, which results from discounted costs of US\$1,491 million at a discount rate of 11 percent, and benefits amounting to US\$2,587 million. The largest benefits stem from health (US\$909 million), followed by small scale irrigation (US\$833 million) and education (US\$726 million), while the smallest benefit is calculated in water and environment (US\$114 million) and central oversight (US\$6 million).



ANNEX 3: FIDUCIARY SYSTEMS STRENGTHENING

1. **This Annex sets out the mitigation measures to the challenges that have been identified in the Fiduciary Systems Assessment.**

2. Table 3.1 includes the risks, rating and mitigation measures to be addressed as part of program implementation. The table also indicates how these actions are integrated into the design, including the Program Action Plan and the different DLIs. The overall integrated fiduciary risk rating is Substantial.

3. **Policies and procedures: Overall the GoU have established regulations and procedures for program and project implementation- especially for managing fiscal transfers.**³⁷ Whereas, there is a program operational manual (POM) to guide program implementation, this has not been widely disseminated and hence implementers lack clear guidance. Further, the program operational manual (POM) needs to be updated to accommodate recent changes to local government accounting and financial regulation with respect to budgeting and use of IFMIS. The risk is failure to comply with rules and regulations given the low rates of sanctioning both at the Local and central government level. The assessment also noted that during the completed two years of the UgIFT program, the only two cases of alleged abuse of office were reported and the Government remains committed to working with the inspectorate of Government to monitor effective use of resources at the center and LG level. Three areas in the expanded program present potential challenges relating to (a) possible of duplication of resources in refugee host districts because planning and budgeting for refugees funding from UNHCR and other NGOs is not done centrally; (b) risk of misuse of funds for the small-scale irrigation grant because the ministry of agriculture has not developed and documented procedures for implementation of activities under the grant and (c) low capacity in the LGs resulting in minimal spending and accountability for funds.

4. **Financial management:** The assessment team observed that the Government of Uganda has established accounting policies and procedures that guide financial management in DLGs. A standard accounting system –the IFMIS is used by both the DLGs and ministries to record accounting transactions and make payments electronically to suppliers. The planning and budgeting processes are also standardized and follow regulations provided in the Public Financial Management Act 2015 and the Local Government Financial and Accounting Regulations. The process is controlled by the Ministry of Finance and all DLGs use a standard budget software-the PBS for budgeting and preparing budget monitoring reports. Other challenges include;

- i) **Funds flow: The team noted the need to track resources from the total UgIFT grant** (World Bank and GoU) to the final beneficiary to ensure it is utilized as intended.
- ii) **Accountability:** The team observed gaps in accountability for Program expenditure, such as payment made without certificates of completion, absence of advance register etc. This points to possible cases of fraud and corruption and will have to be addressed, through stricter contract management accountability procedures. Further audit processes will need to closely monitor the required accounting procedures.
- iii) **Government contribution:** The UgIFT program is funded by both the World Bank and GoU. Through discussions with MoFPED officials it was noted that government contribution may not be realized as anticipated and as such DLI 1 was at a risk of not being met. This shortfall may lead to failure in realizing the intended Program objective.

³⁷ These include the Public Financial Management Act (2015), Local Government Finance and Accounting Regulations (2007), The Public Procurement and Disposal of Public Assets Act, The Anti-Corruption Act (2002) and Fiscal Decentralization Strategy



5. **Procurement:** The assessment found out that procurement under UgIFT was generally done in accordance with PPDA regulations and in line with the guiding criteria issued by the line ministries (Ministry of Health (MoH) and Ministry of Education and Sports (MoES) under a “hybrid” procurement arrangement. However, there are a number of areas of improvement noted in the design stage, bidding process, contract management and staffing which are indicated as risks in the table below where proposed mitigation measures are provided: **The following procurement and contract management challenges were observed:**

- i) **Taxation policy:** There is no clear guidance on how to treat VAT on works contracts under the program. We recommend that MoFPED issue a guideline clarifying that the VAT on works executed under the Program will be paid in accordance with the Uganda VAT Act.
- ii) **Packages under construction works:** The package for construction works under each cluster lot was too big and spanning over wide geographical area for some contractors who lacked adequate capacity for timely completion. Besides, there was no mechanism in place to avoid multiple award of contracts beyond the capacity of the individual contractor. Consideration should be made to secure reasonable packages for effective implementation.
- iii) **Construction works contracts** The construction works contract had several contradictions: a) the contract is stated as lump sum in another clause is stated as ad measurement, b) while contract period is six to twelve months the payment is staggered to three years, which may incapacitate some contractors for lack of capacity and therefore completion may not be within the stipulated contract period.
- iv) **Role of the lead coordinating district:** While the procurement process was coordinated by a lead district when complaints came up it was not clear which entity was responsible to address issues arising, causing delays in resolving matters. As well, when a cluster is too wide and there is a complaint it does affect the rest of other districts.
- v) **Construction management and supervision of works:** The team observed that there was no monitoring and supervision framework, leaving a gap of who was responsible. There was also no evidence of supervision by the line ministries

6. **Capacity challenges:** Stemming mainly from lack of adequate staff at district level (most operating at 50 percent capacity). The most critical positions, such as District Engineer, Finance Officer, are being staffed by Acting staff, who lack the technical capacity for effective supervision. In some of the new districts they lack sub accountants in the new sub counties which increases the risk of poor accountability for funds in service delivery units.

7. **Complaints handling system:** Whereas the legal and institutional framework for fighting corruption and ensuring effective use of resources is in place, the IG’s response to complaints remains reactionary depending mainly on whistle blowers. To ensure effective complaints handling and tracking and enhance the preventive role of the IG, the DLG will develop and disseminate a structured complaint handling framework and designate officers to receive and follow up on all complaints. Further, the IG will be coopted into the joint central monitoring of performance at the DLGs.

8. **Risk of duplication of resources in refugee hosting districts:** The team noted that GoU provides additional resources to refugee host districts but there are also so many other players. For example, UNCHR provides funding as well but there is no centralized planning which creates the risk of duplication for the funds.

9. The following table includes the risks, rating and mitigation measures to be addressed as part of program implementation. The table also indicates how these actions are integrated into the design, including the Program Action Plan and the different DLIs.



Table 3.110: Mitigation Measures to Address Fiduciary Risks

Risk	Rating	Recommended Mitigation Measure (s)	Integration in Design
			DLI, PAP
a) Planning, budgeting and implementation of activities at LG level.			
Risk of duplication of resources in refugee host districts because planning and budgeting for refugees funding from UNHCR and other NGOs is not done centrally	High	Guidelines prepared and LGs to undertake integrated planning and budgeting for all resources for refugees, which will reduce scope for duplication. Integrated service plans will identify all planned investments from on and off budget funding sources, and these will be prepared and presented alongside LG budgets.	DLI 4 Refugee Actions, PAP
Risk of misuse of funds for the small-scale irrigation grant because the ministry of agriculture has not developed and documented procedures for implementation of activities under the grant.	High	MAAIF to develop and document clear guidelines for implementation of activities and use of funds under the small-scale irrigation grant.	DLI 4 – Service Delivery Improvement matrix action for Irrigation Actions PAP
POM not disseminated and guidelines for key aspects of the program not developed.	High	MoFPED to update and disseminate simplified guides to ensure orderly implementation of activities and use of funds, which form part of the POM. Clear guidelines to be issued with respect to the amounts and use of investment servicing costs.	DLI 4 – Update and Dissemination of Sector Guidance, PAP
The MoFPED has not issued clear guidance to the DLGs on how to treat VAT on the constructions works contracts under the program. This has resulted into World Bank funds being used to pay GoU Value Added Tax.	High	MoFPED to issue a circular clarifying that the VAT on works executed under the program is to be paid to the contractor	PAP
b) Procurement and contract management			
Inadequate office and records storage space for PDU staff and unreliable internet connectivity to facilitate sharing Local Purchase Orders with service providers.	Moderate	DLGs to provide adequate working and records management space for the PDU staff. MoFPED to submit action plan on getting all districts onto the NBI for reliable internet connectivity.	DLI 4 – Crosscutting Actions relating to LG connectivity. DLI 5 – LGs provide office space and access to key departments.
Lack of capacity at LG level in the PDUs and not customizing PPDA Standard Bidding Documents (SBDs) competently; Contract Registers lack important details such as contract commencement date, duration and completion date.	Moderate	PPDA to issue Guidelines and provide Capacity building including online modules for LG Staff capacity building	DLI3 – Update, Dissemination and Training on LG guidelines.
Development and approval of technical designs was carried out by line Ministries with limited or no involvement of the participating DLGs.	Moderate	Participating DLGs should be involved at early stages to harmonize the requirements, capture context/situation on the ground and thereby minimize delays in subsequent stages	DL4 – Oversight, Monitoring and Technical Support to LGs. Actions supporting LG procurement.
Big Clusters resulting in equally big evaluation teams and delays in evaluation consensus and finalizing the evaluation and contracting process	Moderate	Clustering to be maintained but with 2-4 lots within each package, smaller evaluation committees	



Risk	Rating	Recommended Mitigation Measure (s)	Integration in Design
			DLI, PAP
a) Planning, budgeting and implementation of activities at LG level.			
Low quality of the bidding and bid evaluation process resulting in incompetent contractors unable to simultaneously carry out works at multiple sites pointing to misrepresentation of qualifications by bidders but also poor specification of qualification requirements which are not commensurate to the scope of works pointing to the.	Moderate	Line Ministries to ensure (a) financial and technical qualification requirements are commensurate to the scope of works; (b) selection of competent contractors, and (c) diligence feedback is obtained from both previous employers, the URSB and the Auditors indicated to have prepared the audit statements. The bidding document should have clear provisions to check against a single bidder being awarded multiple contracts beyond their technical and financial capacity.	
Gaps at Contracting including a construction duration of 12 months, yet payment to contractors required to be done over three year resulting in inconsistencies in the provisions of the contract; and paying Advance payment amounts than the contractual 20 percent; Absence of Clerk of works on some sites creating opportunities/risks for delays and falsification of works done, sub-standard performance and other fraudulent reporting and claims.	High	All Districts with ongoing contracts to amend contracts to ensure consistency. Line Ministries and PPDA will include guidance on the computation and payment of Advance Payment contracts in the Guidelines to guide DLGs for future contracts and on contract management. Recruitment of Clerk of works to ensure adequate supervision.	DL4 – Oversight, Monitoring and Technical Support to LGs. Actions supporting LG procurement, PAP
Challenges at contract management stage including lack of adequate supervision of works exacerbated by contract managers with none or limited knowledge of contract management; lumpsum contracts being enforced on ad-measurement basis; and Performance and advance securities submitted by Contractors for a duration shorter than required in the contract	Moderate	DLGs must have substantive Clerks of Works before contract signing Line Ministries and PPDA to include guidance on Lumpsum/admeasurement contracts in the Guidelines to guide DLGs for future contracts and on contract management. LG accounting officers must ensure the Performance and advance securities guarantees are in the amount and for the duration specified in the contract and resources budgeted for accordingly.	DLI 3 Cross Sectoral Action to strengthen service delivery
The administrative review process took a much longer time resulting into delays in finalizing the procurement process	Moderate	Complaint handling and administrative review process should be completed within the PPDA recommended period.	DLI 4, DLI 5 Cross Sectoral Action to strengthen service delivery
c) Accountability and Effective use of resources			
Independence of the DLG Internal Auditors is diminished because they are supervised by the LG accounting officer, who appraises him/her and approves their workplans. There is therefore a risk that the DLG internal auditor's report are compromised and therefore fraud may not be timely detected.	High	IAG reviews quality of internal audit reports and participates in joint monitoring exercises of LG construction.	DLI 3 Cross Sectoral Action to strengthen service delivery
Gaps in accountability for Program expenditure, such as payment made without certificates of completion, absence of	Moderate	MoFPED and MoLG rolls out of IFMIS to all LGs within 6 months of a creation of a new LG.	DLI 4 – Routine oversight and Technical Support



Risk	Rating	Recommended Mitigation Measure (s)	Integration in Design
			DLI, PAP
a) Planning, budgeting and implementation of activities at LG level.			
advance register etc. This points to possible cases of fraud and corruption and will have to be addressed. New Districts not established on IFMIS, Integrated Personnel and Payroll System payment system. The PBS does not track outcome/ impact indicators, and this creates opportunities for misuse of funds.		Strengthen program expenditure planning, budgeting and tracking. IAG reviews quality of internal audit reports and participates in joint monitoring exercises of LG construction.	DLI 2 – Actions to improve Service Delivery
Poor remuneration, and inadequate monitoring funds at Ministry hindering their supervision at the LG and increasing the risk and motivation for corruption	Moderate	Streamline mechanism for financing central activities, using the RCU, to ensure resources are received on time.	Implementation arrangements
IG should be co-opted to monitor effective use of resources as this has previously supported effective use of resources under other World Bank funded programs and projects.	Moderate	IG participates in joint central monitoring of the program in LGs.	DLI 4
a) Capacity Gaps at the LG and Central Government level Capacity Gaps at the LG and Central Government level			
In the twelve districts visited, four did not have substantive Chief Finance Officers (CFO) and the key position of senior accountant was vacant in ten of the districts. Key staffing gaps in the finance department may compromise the quality of financial management.	High	Recruit staff for the vacant positions in the finance departments of the DLGs. A minimum condition related to staffing will be part of the crosscutting LG performance assessment, which will be linked to the performance allocation of the DDEG.	DLI 5 – LG Performance Assessment
Staffing - one or more substantive of the key positions of the Head of the Procurement and Disposal Unit, District Engineer, Environmental officer, Community Development Officer are not filled, and the contracts Committees are not fully constituted.	Moderate	Finalize recruitment of staff as per established structure as a minimum condition to access UGFT funds, which will be linked to the performance allocation of the DDEG. PS/ST - MoFPED to expedite approval process for CC members of various Districts	DLI 5 – LG Performance Assessment DLI 4 – Routine oversight of LGs

ANNEX 4: ENVIRONMENT AND SOCIAL SYSTEMS STRENGTHENING AND CLIMATE CO BENEFITS

A. Introduction

1. This Annex sets out the completed and proposed actions to strengthen Environmental and Social Systems based on the ESSA and provides further details on the assessment of climate co benefits.

B. Actions to Strengthen Environmental and Social Systems

2. **A set of agreed actions from the last World Bank implementation support mission held in December 2019 were completed before negotiation of the UgIFT-AF** which included:
 - i) Development of thematic performance improvement plan to address contract management and safeguards issues;
 - ii) Joint monitoring visits to all local governments and disseminate the POM and accompanying specific guidelines on environment and social requirements;
 - iii) The Ministry of Finance invited NEMA and Ministry of Gender, Labor and Social Development (MoGLSD) to join the UgIFT technical committee and they participated in the first and second quarterly monitoring missions led by Ministry of Works and Transport;
 - iv) Recruitment of two experts to support the implementation of UgIFT related environment and social requirements and provide broader capacity development in the LGs;
 - v) Issuance of a Circular from MoFPED to the LGs to clarify contract management roles, including use of investment servicing costs.
3. In addition, the following activities were completed:
 - i) Performance measures were agreed which include minimum conditions and performance criteria related environment and social safeguards which are consistent across sectors and are elaborated in the performance assessment manual. This includes minimum conditions related to the performance-based component in development grants in the following areas:
 - a. LGs have substantively appointed critical specified staff, including the LG Natural Resources Officer, and Senior Environment Officer and a Senior Land Management Officer, the LG Community Development Officer and a Senior Community Development officer or requested for secondment from central government, and at least one community development worker in each lower local government;
 - b. LGs carry out screening for environmental (including climate and disaster risks), Social, health and Safety risks /impacts and develop a costed ESMP for all projects where required in line with guidelines and
 - c. LGs allocate at least 5 percent of the total budget allocations to capital development in a LG to investment servicing costs for the joint oversight and management of construction under the LG administration department, and specify the activities that are required to be carried out using the funding, including those by the Environmental and Community Development Officers and specify performance indicators.
 - ii) Preparation of a calendar of central government activities in relation to routine oversight of service delivery, which include routine safeguards functions and specify the activities for MWE/NEMA and MGLSD are involved and responsible.



- iii) The update of the Intergovernmental Fiscal Transfer Reform Program which now, inter alia, highlights central and local government roles in oversight and safeguards.
- 4. The legal covenants for the UgIFT-AF will require government:
 - i) To undertake critical communication, dissemination and training activities consistent with the communication and training strategy in the POM, including (i) the issuance of a circular informing LGs of, inter alia, critical safeguards requirements and consequences of non-compliance; (ii) the dissemination of the aforementioned requirements in national media in line with communications strategy; (iii) the dissemination to and training of all relevant local governments heads of department and identified crucial LG staff on the performance assessment manual, including updated staffing and safeguards requirements, in line with agreed training standards in the context of COVID-19 restrictions.
 - ii) To implement all measures and actions, inclusive of those related to environmental and social safeguards due to be completed by effectiveness, as set forth in the Program Action Plan.

5. **The design of UgIFT-AF at preparation has integrated the Environmental and Social requirements in the DLIs and its verification protocols.** The DLIs with specific provisions for Environment and Social considerations are summarized in the table below. Criteria within the DLI of the program highlight environmental and social aspects, and combined it is important that these incentivize change. DLIs 1 and 2 support adequate financing of safeguards performance, including wages of critical staff, and incentivizing performance through development grants. DLI 3 provides for specific actions to improve safeguards management. DLIs 4, 5 and 6, are based on the results of the performance assessment. The combination of minimum conditions and weightings related to performance criteria, which will be set out in the assessment manual, will be designed in such away ensure there is a significant and clear opportunity cost for non-compliance with environmental and social requirements at the central, local and service delivery levels.

Table 4.111: Integration of Environmental and Social Considerations into DLIs

DLIs	Verification protocols with Environment and Social considerations
Result Area 1: Improving the adequacy and equity of Financing of LG services	
DLI1 - Adequacy and Equity of Wage and Non-Wage Recurrent Financing of Local Service Delivery Improves in line with the Medium-Term Plan for Financing Local Government Service Delivery.	DLR1.1. Wage allocations, Recruitment and Releases <ul style="list-style-type: none"> • Funding available for Staffing for cross-sectoral positions in higher local government departments include the Environment officer and Community development officer. DLR value for critical LG level staffing US\$7 million DLR1.2. Non-wage Recurrent allocations and Releases <ul style="list-style-type: none"> • Non-wage recurrent allocations for Environment and Natural Resources increase in line with the MTP from UGX 0.8 billion annually to UGX 3.5 billion annually. DLI Value: US\$ 4 million
DLI2 - Adequacy and targeting of development financing for service delivery infrastructure and equipment improves and is linked to performance in	Formula Based Windows for Development Grants Allocations must be linked to the results of the annual performance assessment, which include minimum conditions relating to environmental and social screening and scores in the assessment, which include performance measures relating to social and environmental safeguards (See DLIs 5 and 6 below).
Result Area 2: Improving performance in the oversight, management and delivery of LG services	
DLI3 - Number of key actions from the Local Service Delivery Improvement Matrix that take place which are intended to improve systems, processes	At least seven cross sectoral key actions in the Service Delivery Improvement Matrix that are implemented by central government will be directly related to strengthening safeguards systems and capacity, with a value of at least US\$7 million.



and capacity for improved service delivery within and across sectors.	
DLI4 - Central Government core functions in oversight, guidance, performance assessment and improvement, monitoring and technical support to LG service delivery take place	<p>Central Ministries, Departments and Agencies (MDAs) carry out their core functions in the oversight delivery in specified sectors/areas. This includes:</p> <ul style="list-style-type: none"> • The preparation and dissemination of essential guidance for LGs (including grant, budgeting and facility/LLG level guidelines). MWE & MoGLSD to prepare guidelines for the management of LG Environment and Social Safeguards and updated annually; and for purposes of harmony, the guidelines issued should include the respective tools and will be disseminated by the National Resource Pool and Joint Monitoring Teams. Sectors have integrated Environmental and Social aspects as detailed in Program Action Plan. • Routine oversight, performance information, monitoring of service delivery and construction and <i>safeguards</i> requirements in crosscutting; Education; Health; Water and Environment; Irrigation.
Result Area 3: Improving LG Management of Service delivery	
DLI5 - LG management of service delivery is strengthened overall and for the weakest performing Local Governments	The performance assessment scores in the annual performance assessment of the LG management of services and delivery of infrastructure, which includes Environmental and Social aspects at LG level e.g evidence of E&S screening, development of costed ESMPs etc.
Results Area 4: Improving the Delivery of Services at the Local Level	
DLI6 - Service delivery performance is strengthened overall and for the weakest performing facilities and sub-counties	Service delivery performance in facilities (school/health facility) and Lower LG areas (water, Irrigation). The assessment of the facilities and the lower local governments provides for key Environmental and Social issues e.g availability and access to land free of encumbrances; medical waste management; use and management of agrochemicals and safe disposal associated waste; water source and catchment management; 'green' schools (talking environment, waste management, energy conservation).

6. **The analysis has identified the following key areas for action to ensure that the Program interventions continue to be aligned with the Core Principles of World Bank Policy for Program-for-Results Financing.** The table below provides details of the key components of the safeguards elements of the actions that are included in the PAP. Further details are provided in the draft ESSA. These actions also either form part of the service delivery improvement matrix (DLI3) or represent routine actions to be carried out annually (DLI4). These actions may be further refined and adjusted during the consultation process and the implementation of the Program, as required.

Table 122: Key Actions to Address Environmental and Social Risks

Action Description	Key Components
<p>Strengthen tools for enhancing integration of E&S issues into LGs plans, budgets, procurement, contract management and monitoring</p> <p><i>Before Effectiveness</i></p>	<p>1. Strengthen and issue tools for environmental and social screening and monitoring of implementation of requirements include:</p> <ul style="list-style-type: none"> - Preparation of guidelines (by MWE and MoGLSD) for the management of Environment and Social Safeguards, updated annually; E&S guidelines include the respective tools and disseminated by the National Resource Pool and joint monitoring teams; - Sectoral E&S screening checklists integrate climate and disaster risk screening, Violence and Abuse of Children (VAC), GBV prevention and response plans, HIV prevention plans, and temporary labour influx screening. - ESMPs templates prepared - ESHS provisions including (i) Use of PPDA standard bidding documents for works, (ii) Bidding evaluation considers E&S criteria and (iii) interim payment certificates shall be



Action Description	Key Components
	<p>approved by the Engineer only where a) the Clerk of Works has cleared b) the Environment Officer has approved</p> <ul style="list-style-type: none"> - Monitoring and reporting checklists - Mainstreaming checklist for planning, design, budgeting, bidding, contracting, implementation and monitoring <p>2. PPDA coordinate with MoLG to issue a follow-up circular to all accounting officers of LGs to actualize the guidance provided (on use of the enhanced Standard Bidding documents - SBDs) for the next procurements and institute penalties for LGs not complying.</p>
<p>Guidance for unified system of grievance redress and community engagement in Local governments issued.</p> <p><i>Before Effectiveness</i></p>	<p>Guidance for establishment and functioning of grievance redress in LGs including:</p> <ul style="list-style-type: none"> - A grievance handling system - Grievance Redress committees to handle grievances and disputes at each LG and at implementing agencies (MoES, MoH, MAAIF and MWE and co-opting MoFPED, PPDA, MoPS and MoGLSD as may be required) in line with Public Service Negotiating, Consultative, and Dispute Settlement Machinery. - Functional Grievance Redress Committees in place and communities aware of the GRM mechanisms. - Establishing a complaints log with clear information and reference for onward action (a clear complaints referral path); in addition, all contractors will be required to a workers' complaints mechanism at the Site; - Establishing an Ethical Code of Conduct that should be available at each site. - Each implementing agency developing a stakeholder engagement plan in collaboration with respective LGs
<p>Updated sectoral budget and implementation guidelines and technical guidelines, and annual performance assessment manual to cover sector specific environmental and social aspects and integrate of standard guidance and tools</p> <p><i>Before Effectiveness</i></p>	<p>Updated Sectoral guidelines include:</p> <ul style="list-style-type: none"> - Medical waste management guidelines for HCII, HC III, HCIV and GHs - Rural water technical guidelines to provide for access to land (without encumbrance), source and catchment protection. - Micro- irrigation guidelines to provide for proper siting, land access (without encumbrance), proper use of agrochemicals and safe disposal of its waste. - Education guidelines to provide for access to land (without encumbrance), proper siting of schools, 'green' schools and energy conservation. - All sector guidelines provide guidance for budgeting for investment servicing costs to include E&S. - Annual Performance Assessment Manual Updated to include strengthened performance measures and minimum conditions for E&S reflecting implementation of strengthened systems.
<p>Dissemination of and training on Updated Sector and Cross-sectoral Guidelines and Tools, including safeguards aspects.</p> <p><i>Safeguards tools disseminated by effectiveness, sector guidance before December 2020. Subsequent Annual Dissemination.</i></p>	<ul style="list-style-type: none"> - First Dissemination of updated E&S tools and guidelines from MWE/NEMA and GLSD takes place before effectiveness. - Dissemination of sector guidelines, including E&S requirements, takes place before the end of December 2020. - Evidence of dissemination of guidelines directly to LG departments and facilities / schools / Lower LGs - Evidence of organized E&S Awareness / trainings activities for stakeholders at central government institutions and LGs including political and technical officers



Action Description	Key Components
Quarterly Joint monitoring visits to local governments take place, covering safeguards as well as contract management and procurement.	<ul style="list-style-type: none"> - NEMA and MGLSD participate as part of the national resource pool in quarterly joint monitoring and contribute to reports on compliance with requirements and follow up action taken
Technical support teams contracted to support the National Resource Pool in training LGs and follow up with LGs on implementation Performance Improvement Plans and recommendations of joint monitoring visits.	<ul style="list-style-type: none"> - Technical support teams, which include environment and social safeguards expertise, contracted to support the National Resource Pool to provide training and targeted support to LGs to help them implementation of follow up recommendations.
Undertake an environmental functional review and social skill needs assessment and agree proposals related to strengthening social risk management at the LG level including, GBV and VAC and strengthening structures, investments	<p>A functional review has taken place and provisions updated, including</p> <ul style="list-style-type: none"> - Staffing structures and requirements and roles and local and national level - Specification of sector investments and functions in sector and DDEG guidelines strengthened to include environment, climate change mitigation (<i>green infrastructures, waste management equipment and infrastructures</i>) and adaptation and social risk management. - Environment and Social Safeguards requirements identifiable in revised LG budget structure and reporting formats for Social Development and Natural Resources departments via outputs and performance indicators for inclusion in the PBS aligned with results from the functional review.
Enhanced Budgeting and Reporting Systems, including for E&S activities operational	<ul style="list-style-type: none"> - Strengthened LG joint monitoring of contract management, construction management issues as well as compliance to E&S risks and impacts – Guidelines in place. - Automated Quarterly and Annual reports generated on Environment and Climate change integration in annual work plans and budgets. - Strengthened budgeting and reporting system functionality for PBS functionality for tracking and reporting on environmental (including Climate Change) and Social performance.
Integrated Sector Refugee Response planning and implementation (including E & S safeguard requirements for program interventions in 13 refugee hosting LGs) – Coordinated by OPM	<ul style="list-style-type: none"> - Sector Guidelines for LG Planning and Budgeting for the Refugee response and transition prepared and disseminated, including E & S safeguard requirements for program interventions in 13 refugee hosting LGs. - Costed and integrated sector refugee response and transition plans, including ESMP as well as child protection and GBV prevention plans associated with planned interventions.

C. Assessment of Climate Co Benefits

10. **Vulnerability Context.** Uganda is among the world’s most vulnerable and simultaneously least adapted countries to climate change. Uganda is exposed to a variety of natural hazards such as flooding, landslides, droughts and heat waves. Primary drivers of vulnerability are poverty, land degradation, rapid and unplanned urbanization since the 1960s, weak enforcement of building codes and zoning regulations, and a lack of coordinated disaster response strategies. Poor and vulnerable groups are most likely to be impacted through damages to their assets, livelihoods and their food security.

11. **The rainy season, traditionally lasting eight to nine months during a year, has become shorter, averaging**



six to seven months a year since 2010. In addition, there are considerable variations in the timing of the onset of the rainy season, distribution of rainfall, and duration of the dry season. In parallel, average temperatures have increased by 1.3°C since 1960, and they could rise by up to 2.5°C by 2050, and in March 2016.³⁸ the country experienced the highest average monthly temperature in its history of 33.8°C. The combination of high vulnerability to climate change (14th most vulnerable country) and low readiness to improve resilience (48th least ready country)³⁹ has resulted in Uganda being ranked 155th out of 188 countries on the Notre Dame Global Adaptation Initiative (ND-GAIN) index in 2016. The country is also exposed to extreme weather events, such as floods and droughts. Flooding, particularly in low-lying areas of the country, presents the largest risk. Each year, floods impact nearly 50,000 people and cause over US\$62 million in damages. Urban areas experience slow-onset floods, whereas low-lying and areas along river banks and swamplands are more subject to flash floods. Areas most prone to floods are the capital city, Kampala, and the northern and eastern areas of the country.

12. Droughts affected close to 2.4 million people between 2004 and 2013, and drought conditions in 2010 and 2011 caused an estimated loss and damage in the amount of \$1.2 billion, equivalent to 7.5 percent of Uganda's 2010 GDP. The most drought-prone areas in Uganda are the districts in the cattle corridor stretching from Western and Central to mid-Northern and Eastern Uganda. Environmental degradation, underdeveloped irrigation systems, and near-absence of disaster preparedness at the community level are contributing factors to increasing drought risk. If no adaptive action is taken, annual costs of the adverse impact of climate change are estimated in the range of US\$273 - 437 billion over the 40-year period (2010-2050), with the biggest impacts being on water, followed by energy, agriculture, and infrastructure. The vulnerability to climate change and the damage it causes affects the education, health, irrigation and water and environment sectors, which are part of this Program.

13. Vulnerability Context in Sectors. Vulnerability context for climate change in micro irrigation, water and sanitation (environment), health and education are summarized as below:

- **Micro Irrigation.** Historically, Uganda has been well endowed in water resources, allowing to carry out agricultural activities without much need for irrigation. However, increased variability and lower predictability of rainfall, coupled with a shorter rainy season are affecting farmers, who are finding it increasingly challenging to plant. In parallel, increasing temperatures and thus evapotranspiration requires more drops per crop, and could also result in increasing pests affecting farmers' yields. This affects low productivity in agriculture, which is further adversely affected by the lowest utilization of inorganic fertilizers in Africa, at only 1 kg/ha/year, compared to 5 kg/ha/year in Tanzania and 30 kg/ha/year in Kenya, and far less than the world average of 100 kg/ha/year.⁴⁰ Only 13 percent of the cropped area was planted with commercial or improved seeds in 2009, compared to 22 percent in Sub-Saharan Africa and 80 percent in Asia. These circumstances are predominantly driven by a dysfunctional input market and, thus, the unreliable quality of agricultural inputs due to

³⁸ The Uganda's National Adaptation Programme of Action (NAPA) cites an average temperature increase of 0.28 °C per decade in the country between 1960 and 2010, being January and February the most affected by this warming trend, averaging an increase of 0.37 °C per decade. The frequency of hot days has increased significantly, while the frequency of cold days has decreased (McSweeney C; New M; Lizcano G. 2010. UNDP Climate Change Country Profiles: Uganda. Available at: <http://bit.ly/2fsJ3Lc>). The MWE assessment from 2015 on Uganda's INDC indicates the possibility of an increase in the country's near-surface temperature in the order of +2 °C in the next 50 years, and +2.5 °C in the next 80 years using RCP 4.5, whereas for RCP 8.5 the projected temperature increases are in the order of +2.5 °C in the next 50 years, and +4.5 °C in the next 80 years.

³⁹ The ND-GAIN Country Index summarizes a country's vulnerability to climate change and other global challenges in combination with its readiness to improve resilience. (<https://environmentalchange.nd.edu/resources/nd-gain/>).

⁴⁰ Hundsbæk RP; Spichiger R; Aloba S; Kidoido M. 2012. Land Tenure and Economic Activities in Uganda: A Literature Review. Danish Institute for International Studies (DIIS). Working Paper 2012:13.



counterfeits, which discourages farmers from investing their limited resources to this end.⁴¹ These aspects are reflected in the ND-GAIN index,⁴² where two elements under the food/agriculture categorization contribute to driving Uganda's high vulnerability score: (i) strong projected decrease in key crops yields⁴³; and (ii) low capacity to acquire and deploy agriculture technology. In addition, climate variability and its impact on the agriculture sector seriously affect Uganda's economy. In 2010-2011, Uganda experienced production losses totaling UGX 2.8 trillion, which translated to 7.5 percent of GDP. While annual rainfall over that period did not reveal any anomalies, there was increased intra-annual variability, emphasizing the importance of investment and innovation such as supplementary irrigation. Lastly, it is estimated that climate-induced yield losses for coffee could be in the order of 50-75 percent by 2050, which would represent a major impact on farmers' income and the overall economy, which is currently deriving 18 percent of its export earnings from coffee.

- **Water and Sanitation (Environment).** A defining factor to Uganda's high vulnerability to climate change is the lack of water storage infrastructure. Uganda's per capita freshwater resources are among the highest in the world, and only 2.8 percent of its renewable water resources are currently utilized. It is estimated that water use will triple by 2035. Although this future demand would only constitute a fifth of the net water available, almost three-fourths of all districts will experience high or extreme water stress due to high climate variability and underdeveloped water resources infrastructure, particularly in the South-Western part of the country.⁴⁴ Climate change already adds to variability of the water cycle with higher temperatures changing weather patterns with more and longer lasting drought period, and reduced precipitation levels. The MWE reports shortages in available supply in Northern and Western Uganda due to slower replenishment rates of underground water – main source for the rural communities in the country. This already causing rural water providers to implement water conservation measures and make use of unpopular demand management actions such as water rationing and intermittent supply. Climate effects already pushed for more frequent and technical maintenance efforts, unscheduled rehabilitation and in some cases scaling down operations at their facilities, and by extension, the people they serve. Water for consumption in extreme cases may compete with agricultural water users. Further, continued reduced recharge of aquifers and deeper drilling in search of water can pose a danger of dissolution and contaminating water with natural toxic substances from deep aquifers (such as Arsenic and Selenium containing salts).
- **Health.** Climate change over the past years is considered among the most important determinants of increased frequency and impact of some of these disasters. Health impacts of climate change affects people of all ages but more disproportionately, the children and the elderly. The changing rainfall patterns and the associated floods and droughts has greatly affected agricultural productivity over the past decades thus weakening efforts to improve food security and reduce the prevalence of malnutrition. Landslides in Eastern Uganda in 2019 displaced large number of people and destroyed health, water and sanitation and transport infrastructure thereby creating challenges in health service delivery at the place of origin as well as the place

⁴¹ Literature shows that hybrid maize seeds on Ugandan markets were equivalent to a mix of 50 percent hybrid and 50 percent landrace varieties, while the average nitrogen content of fertilizer was 30 percent lower than it should be. The substandard quality of (inauthentic) inputs reduced yield gains from using hybrid seeds and nitrogen (alongside other plant micronutrients) to 75-87 percent of expected outcomes. In 2015, less than 10 percent of planted seed was purchased from formal sources, and 30 to 40 percent of this seed purchased from formal sources was counterfeit (Closing the Potential-Performance Divide in Ugandan Agriculture, the World Bank, 2018).

⁴² The ND-GAIN Country Index (<https://environmentalchange.nd.edu/resources/nd-gain/>).

⁴³ Projected change is the percent decrease of the cereal yields from the baseline projection (1980-2009) to a future projection (2040-2069) using RCP 4.5. Other sources cite projected decrease in yield for various crops. The Economic Assessment of the Impacts of Climate Change in Uganda (MWE, 2015) reports that climate-induced yield losses for coffee could be in the order of 50-75 percent by 2050, which would represent a major impact on the economy, which is currently deriving 18 percent of its export earnings from coffee.

⁴⁴ National Water Resources Assessment, 2013.



of migration. Humans are increasingly exposed to wastewater (sewage and industrial and effluents as well as agricultural runoffs) which can be harmful to health depending on the level of contamination. In Uganda, 28.9 percent and 3.5 percent of children under five are stunted or wasted respectively. Climatic change has made the environment favorable for transmission of malaria and other infectious diseases hence affecting gains in the prevention and control of communicable diseases^{45/46}. High levels of air pollution in some parts of Uganda especially Kampala is one of the key contributors to the growing burden of non-communicable diseases. The climate change attributed reduction in agricultural productivity and displacement exacerbate poverty and conflict, two critical determinants of health and well-being.

- **Education.** The general climate change vulnerability context has direct consequences for the education sector. Increased intense rainfall events, with the possibility of higher rainfall for some areas will lead to the heightened risk of flooding, and cause damage to property and infrastructure. This has already visible effects on the existing school infrastructure, as well limiting the government's ability to select areas suitable for future primary and secondary school construction sites. Increased unpredictability of rainfall and intensified deforestation activities raise the risk of floods could affect school infrastructure. Uganda experiences both flash floods and slow-onset floods, which are common in urban areas, low-lying areas, areas along river banks and swamplands. Areas most prone to floods are the capital city, Kampala, which is characterised by the highest concentration of schools in the country, and the northern and eastern areas of the country, which are considered to be some of the most vulnerable regions from the climate change perspective.

14. **Program climate and disaster risk screening.** The Additional Financing Program supports all LGs in Uganda and covers all the geographic areas in the country. The team has completed Climate and Disaster Risk Screening by using National Policy Projects Assessment, which assessed short and long-term climate impact and disaster risks that are associated with education, health, water and environment, and micro irrigation. The team has analyzed institutional readiness and has been discussing with the GoU how the AF Program can help GoU improve the adaptive and mitigation capacity, both at the central and local government level.

15. **Climate-co-benefits.** The AF Program will address climate change risks and will introduce appropriate **adaptation** and **mitigation measures** across the infrastructure investments and interventions towards institutional strengthening as follows:

- **Micro Irrigation.** The Program is intended to support up to 200 farmers per district (40 districts in total) to develop individual irrigation through matching grants funding. The area to be irrigated per farmer will be already under agriculture use and with an estimated size of 1 hectare. In terms of **mitigation measures**, the matching grant will fund the acquisition of pro-climate irrigation equipment by prioritizing the use of solar pumps. Furthermore, among the farmer eligibility requirements is the proximity to the water source (less than 500m), which will lower the energy requirements needed to irrigate. In addition, improved access to irrigation can enhance existing fields' ability to sequester carbon (in both biomass and soil), which has mitigation co-benefits potential. In terms of **adaptation measures**, the Program will support farmers capacity to cope with climate risks by providing access to irrigation. This will reduce farmers vulnerability to floods and droughts, which are currently perceived by smallholder farmers as the main risk to agriculture⁴⁷. At the same time, while farmers will not have direct access to inputs through this project, both nucleolus farms and farmer field schools supported by the Program will promote a successful approach to irrigated agriculture. This aspect will assist farmers to combat pests, which could increase as a result of increasing temperatures.

⁴⁵ Julius Ssempiira et al. Interactions between climatic changes and intervention effects on malaria spatio-temporal dynamics in Uganda. *Parasite Epidemiol Control*. 2018 Aug; 3(3): e00070.

⁴⁶ WHO. 2020. Climate change increases risk of outbreaks in Africa

⁴⁷ National Survey and Segmentation of Smallholder Households in Uganda, CGAP, 2016



- **Water and Sanitation (Environment).** The Water and Sanitation (environment) sector covered in this PforR will contribute to both climate mitigation and adaptation. The Program is intended to support expansion the district water sector development grant over the UgIFT period to: i) reduce the number of sub-counties with safe water services coverage is currently below a certain level (likely the national average level)", and ii) increase the functionality of existing potable water supply sources. The water and environment recurrent allocations will be increased, and the design of the grant strengthened to support environmental management functions. In terms of mitigation measures, the UgIFT grant will provide finances to technological change with efficient pumping from boreholes and development of small networks. Proper planning to tackle water demand and implementation of efficient pumping, including solar, where possible, will increase efficiency in water production and help to reduce resource inputs and emissions per unit of water produced. Further, Districts and Municipalities will promote environmental management functions initially focusing on the implementation of public investments, including water resources management and actions against deforestation to reduce carbon emissions and enhance carbon sinks (marshlands and water sources). In terms of adaptation measures, the UgIFT will increase water security to population by providing access to clean and secure water sources. Financial resources will target sub-counties, where functional water supply coverage is below a specified level (likely, national average) and address functionality of existing rural water facilities countrywide, including expanded metering reduced losses and extended networks. It is expected that with the UgIFT AF interventions, about 1 million of rural Ugandans will get access to safe water supply: This will be critical to enhance resilience in areas of water shortages exacerbated by droughts. For the environment functions, NEMA will be also involved in enhancing LG oversight with proper monitoring and supervision. This also includes monitoring of solar pumping to prevent overexploitation of ground water wells and contribute to their functionality. At the district level, the management of district water supply services will be improved, using the management information system (MIS). Altogether this will add to overall climate change adaptation at the country level.
- **Health.** The Program is intended to support upgrade of health infrastructure and equipment, scale up human resource capacity, and integrate refugee health services into routine government service delivery systems. In addition, the program will support interventions for improving health service delivery such as deepening implementation of results-based financing, digitization of health services and quality improvement. The main investment with significant climate change mitigation and adaptation significance is infrastructure. In terms of **mitigation measures**, the MoH is expected to design health infrastructure that incorporates energy efficiency measures such as use of renewable energy, energy efficient technologies and building designs and materials. Key principles for energy efficiency adopted by MOH as part of the ongoing upgrade of HCIIIs to HCIIIs under UgIFT include (i) solar energy for lighting of all medical buildings and connection to the hydropower national grid thereby reducing use of fuel generators; (ii) installation of energy efficient cooking and diagnostic devices; (iii) use of steel trusses as roofing support thereby reducing use of timber/tree cutting; (iv) use of solid concrete blocks thereby reducing the need for burnt clay brick, which is associated with higher carbon footprint; and (v) use of large windows for adequate natural light and ventilation and North South orientation of buildings thereby minimizing use of air conditioners. In terms of **adaptation measures**, the design of the buildings will take into account the need to construct climate resilient health infrastructure in areas prone to landslides and flood waters and to provide water during prolonged dry spells. The MoH has already adopted the following practices in the construction of especially HCIII's: use of durable building materials such as steel trusses/roof support, and foundation concrete strength that is appropriate to the risk levels of soil type; use of large roof to facilitate harvesting of water; location of facilities in areas with sustainable underground water sources where water is drawn using solar driven water pumps. These mitigation and adaptation have been adopted in the updated design standard for HCIII's, but not for higher level facilities. There is need to support to fill this gap during the AF phase. In addition, the climate change



adaptation guidelines for LGs should incorporate criteria on location of new facilities in physically accessible safer parts of emergency prone regions/areas.

- **Education.** The Program is intended to support development grants for school construction, as well as enhance service delivery performance at the facility level. In terms of **mitigation measures**, the Program will address through sector guidelines: (i) New infrastructure to include flood defence mechanisms, landslide and soil erosion prevention by strategically selecting sites for school construction, as well as risk-prone infrastructure elements; (ii) Planting trees around the new and existing schools in selected districts to address the issues of soil erosion, landslides due to floods, as well as leading to a greater carbon dioxide absorption and combatting deforestation activities; (iii) The management of education infrastructure and equipment will be strengthened through construction or retrofitting of education facilities to be substantially more energy efficient than the prevailing standards (especially around health and sanitation). In terms of **adaptation measures**, the Program will (i) help address education facilities' exposure to climate change-induced natural disasters by selecting school sites that are in areas that are climate change and natural disaster resilient; (ii) incorporate energy efficiency and climate-resilient design measures in infrastructure (water and sanitation), such as rain water harvesting systems and solar energy technology; (iii) adopt sustainable school infrastructure and the use of climate friendly technologies. This includes the use of steel beams, instead of timber beams for construction; (iv) Improved service delivery performance assessment will, inter alia, boost human resource allocation and capacity at the service delivery point thus allowing for a better preparedness and response to climate change-related emergencies. Through Teacher Effectiveness and Learner Achievement (TELA) system, the project will enhance the capacity of local and central governments to back up their electronic systems to prevent data loss in the event of natural disasters. These mitigation and adaptation measures will be included in the sector guidelines as well as adherence to the guidelines on standard technical designs and other aspects. This will be strengthened by the School Improvement Plans and Facility Level Performance Improvement Framework, which will incentivise schools to enhance their infrastructure maintenance.



ANNEX 5: MODIFIED PROGRAM ACTION PLAN

Action Description	Source	DLI#	Responsibility	Timing		Completion Measurement	Action
The Annual Budget allocations and MTEF are consistent with the agreed Medium Term Plan for increasing budget allocations to the transfers which is set out in the POM.	Technical		MoFPED	Recurrent	Yearly	The Annual Budget and MTEF allocations are consistent with the MTP.	No Change
Reconsideration of Medium Term Plan for increasing budget allocations to the transfers in the POM and MTEF allocations to the transfers, if specified macroeconomic variables deteriorate.	Technical		MoFPED	Recurrent	Yearly	MTEF allocations changed following agreement of revisions between WB and GoU.	No Change
Adherence to the revised formulae and phase in plan in the budget allocations and releases.	Technical		MoFPED	Recurrent	Yearly	Formula phase in plan implemented as measured by DLIs 1 and 2.	No Change
Implementation of a process ensuring consistency of the data used for implementation of the redesigned grants.	Technical		MoLG, MoES, MoH	Recurrent	Yearly	Formulae variables and cost center lists signed off by the responsible parties using process set out in POM.	No Change
Renegotiation of targets if the combination of formulae, equity targets and medium term	Technical		MoFPED	Recurrent	Yearly	Agreed targets following renegotiation.	Revised



plan to uplift transfers become misaligned, which significantly increases the cost of achieving equity targets.							
Proposed Renegotiation of targets if the combination of PDO adequacy, equity, service delivery targets, and medium term plan to uplift transfers become misaligned in a way which significantly increases the cost of achieving targets.	Technical		MoFPED	Recurrent	Yearly	Agreed revised targets and MTP following renegotiation.	
Implementation of the institutional strengthening measures in Central Government to manage transfers system, make transfers on time, and to communicate effectively with LGs.	Technical		MoFPED	Recurrent	Yearly	Institutional strengthening measures as specified in the POM implemented	Revised
Proposed Implementation of the institutional strengthening measures in Central Government to manage transfers system, make transfers on time, and to communicate	Technical		MoFPED	Recurrent	Yearly	Institutional strengthening measures as specified in the POM implemented	



effectively with LGs.							
Updating and dissemination of manuals and procedures relating to transfers, procurement, financial management, and LG staffing to cater to technical, fiduciary, environmental and social risks.	Technical		MoFPED	Recurrent	Yearly	Specified manuals and guidelines adjusted taken into account issues specified in the POM.	Revised
Proposed Updating and dissemination of and training on manuals and procedures relating to transfers, procurement, financial management, and LG staffing to cater to technical, fiduciary, environmental and social risks.	Technical	DLI 4	MoFPED	Recurrent	Yearly	Specified manuals and guidelines adjusted taken into account issues specified in the POM. Central MDAs conduct dissemination and training exercises annually directly to local government staff, teachers, and in charges of health facilities.	
Annual performance assessment takes place according to agreed rules and covers technical, fiduciary, environmental and social risks.	Technical		Office of Prime Minister	Recurrent	Yearly	Annual assessment takes place (DLI 3) and validated in line with process in the POM.	No Change
Implementation of a process for targeted performance improvement.	Technical		MoLG, MoES, MoH	Recurrent	Yearly	Local Government and Thematic Performance Improvement Plans implemented as measured in DLI3	No Change



Two thematic areas for targeted performance improvement in 2018/19 address fiduciary and social and environmental risks identified during the first round of LG performance assessments and help to strengthen capacity of LGs to implement the guidelines	Technical		MoLG, MoH, MoES	Recurrent	Yearly	Thematic Performance Improvement areas are chosen accordingly	Revised
Proposed Two thematic areas for targeted performance improvement in 2018/19 address fiduciary and social and environmental risks identified during the first round of LG performance assessments and help to strengthen capacity of LGs to implement the guidelines	Technical	DLI 4	MoLG, MoH, MoES	Due Date	30-Apr-2020	Implementation of performance improvement actions	
Strengthen tools for enhancing integration of Environmental and Social issues into LG planning, budgeting, project screening, procurement, contract management and monitoring.	Environmental and Social Systems	DLI 4	MWE, NEMA, PPDA, MoGLSD	Due Date	30-Sep-2020	Tools in place: sectoral screening checklists; ESMP templates; ESHS provisions in bidding docs, evaluation criteria, approval of certificates; monitoring, reporting and E&S mainstreaming checklists.	New



Guidance for unified system of grievance redress and community engagement in Local governments issued.	Environmental and Social Systems	DLI 4	MoLG	Due Date	30-Sep-2020	Guidance for establishment and functioning of grievance redress in LGs including: grievance handling system; consultative committees to handle grievances and disputes at each LG and MDA; - crosscutting and sectoral community engagement structures,	New
MAAIF to develop and document clear guidelines for implementation of activities and use of funds under the small-scale irrigation grant.	Technical	DLI 4	MAAIF	Due Date	30-Sep-2020	Technical and Grant guidelines in place.	New
MoFPED issues one or more circulars clarifying: Contract Management Roles, VAT on works executed, environment and social safeguards requirements, use of investment servicing costs.	Fiduciary Systems		MoFPED	Due Date	15-May-2020	Circular(s) issued.	New
Guidelines prepared and LGs to undertake integrated sector planning and budgeting for all resources for refugee hosting LGs.	Technical	DLI 3	MoFPED, MWE, MoES, MoH	Due Date	30-Sep-2021	Sector guidelines in place. 11 refugee hosting LGs have prepared sector integrated plans and budgets which reflect all major funding sources, and including ESMP as well as child protection and	New



						GBV prevention plans.	
Joint monitoring visits to all local government for construction led by MoWT, covering procurement, contract management, safeguards requirements.	Fiduciary Systems	DLI 4	MWT Sector MDAs MGLSD NEMA IG MoLG PPDA	Recurrent	Quarterly	Quarterly Monitoring and Follow up Reports.	New
Technical support arrangements in place to support the National Resource Pool in training LGs and follow up with LGs on implementation Performance Improvement Plans and recommendations of joint monitoring visits.	Technical	DLI 4	MoLG, MoFPED, National Resource Pool	Recurrent	Continuous	Technical support teams, which include engineering, sector, environment & social safeguards expertise, contracted to support the National Resource Pool to provide training and support to LGs to help them implementation of follow up recommendations.	New
Undertake an environmental functional review and social skill needs assessment and agree proposals related to strengthening risk management, strengthening structures, investments interventions at the LG level including climate, GBV and VAC.	Environmental and Social Systems	DLI 3	MoPS; OPM; MoLGs, MWE MoGLSD	Due Date	31-Dec-2020	Review and provisions relating to: roles and staffing structure; sector investments and functions in guidelines; local government budget structure.	New
Enhanced Budgeting and Reporting Functionality in PBS, including	Fiduciary Systems	DLI 3	MoFPED	Due Date	30-Jun-2021	New functionality on PBS including budgets and reports being generated from	New



combined allocations for service delivery facilities, projects, service delivery performance, E&S activities, and consolidated national information.						the system	
Minimum conditions put in place in the performance assessment a) to ensure critical staffing in LG sector and fiduciary, environmental and social safeguarding departmental roles and LLGs, and b) to ensure E&S project screening takes place.	Technical	DLI 4	OPM	Due Date	30-Jun-2020	Updated Performance Assessment Manual	New

16. **The PAP has been revised to cater for the ongoing risks and those associated with the expansion and deepening of the program.** Pre-existing PAP actions have been maintained and strengthened, emphasizing the importance of, inter alia, regular dissemination of guidelines and training. New and more specific actions have been identified to address the specific risks that have emerged during implementation of the original Program in relation to environmental and social risk management, contract management and LG staffing. This involves the institutionalization of regular joint monitoring and the introduction of minimum conditions and resourcing safeguards activities at the local level. The actions in the PAP are consistent with and include several of the required actions to be achieved before effectiveness.



ANNEX 6: Medium Term Plan for Financing Local Service Delivery

17. **The Medium-Term Plan for Financing Service Delivery is a key pillar of the IFTRP and is being revised based on sector costing.** Table 6.2 sets out, in more detail, the revised medium-term plan based on the sectors which have been costed, and further details are provided below. The full MTP forms part of the IFTRP and will be updated, if necessary, in the POM. The

18. The Medium-Term Plan involves two main elements:

- a. First, the allocations which finance inputs for local service delivery over time.
- b. Second, the allocations to central government a) routine Oversight and b) Process, Systems and Capacity Strengthening,

19. **The increments in wage allocations in the MTP correspond to hiring additional staff for a) ensuring that the least staffed local governments can meet minimum staffing levels b) staffing the newly built and upgraded facilities and c) transitioning refugee-service facilities to the LG system.** Table 6.1 shows the target aggregate number of staff to be hired to meet these objectives. These numbers will be broken down by Local Government in the POM. For DLI1.1 to be met, wage allocations for the respective grants need to cater for hiring the staff in each LG.

Table 6.1: Staff to be Hired in the Context of the MTP

Cumulative Number of Staff Hired Under UgIFT	2020/21	2021/22	2022/23	2023/24
Local Government - School Inspectors	0	377	753	753
Local Government – Water Officers	0	71	71	71
Education Total	2,140	7,170	13,979	13,979
Primary Education Total	0	3,364	6,246	6,246
o/w Primary Education Wage Increment - Least Staffed LGs	0	2,882	5,765	5,765
o/w Primary Education Wage Increment - Transitioned Refugee-Serving Schools	0	482	482	482
Secondary Education Total	2,140	3,806	7,733	7,733
o/w Secondary Education Wage Increment - Least Staffed LGs	0	1,626	3,253	3,253
o/w Secondary Education Wage Increment - Seed Secondary Schools	2,140	2,180	4,480	4,480
Health Total	297	3,759	5,974	5,974
o/w Health Wage Grant Increment - Least Staffed LGs	0	2,215	4,430	4,430
o/w Health Wage Grant Increment - Upgraded HC IIIs	297	1,260	1,260	1,260
o/w Health Wage Grant Increment - Transitioned Refugee-Serving Health Facilities	0	284	284	284



Table 6.213: Medium Term Plan – Allocations to Financing of Local Services

Total Indicative LG Allocations (US\$ Billions)	Actual Budget Allocations						
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	Original UglFT Timeframe					Additional Years	
Total LG Unconditional Wage Grant - Additional School Inspectors & Water/Environment Staff	0.0	0.0	0.0	0.0	6.2	10.4	10.4
Total Education	259.2	383.8	450.1	534.9	642.8	809.2	815.7
Total Education - LGs	259.2	383.8	450.1	534.9	642.8	809.2	815.7
Recurrent - Education Sector Wage Grant Increment (Cumulative)				17.2	73.7	133.4	145.9
o/w Primary Education Wage Increment (Cumulative)				0.0	27.5	51.6	51.6
Primary Education Wage Increment - Least Staffed LGs				0.0	24.1	48.2	48.2
Primary Education Wage Increment - Transitioned Refugee-Serving Schools				0.0	3.4	3.4	3.4
o/w Secondary Education Wage Increment (Cumulative)				17.2	46.2	81.9	94.3
Secondary Education Wage Increment - Least Staffed LGs				0.0	22.9	45.9	45.9
Secondary Education Wage Increment - Seed Secondary Schools				17.2	23.3	36.0	48.5
Recurrent - Education Sector Non-Wage Grant	226.7	255.3	298.1	335.3	384.7	438.4	468.0
o/w Primary Education - Non Wage Recurrent	67.8	85.1	131.8	160.4	196.2	233.8	248.3
Inspection/Monitoring			6.1	6.2	9.0	9.2	9.4
Results Based Financing - Primary Education			0.0	0.9	0.9	10.6	10.6
Capacity Building, Co-Curricular, Others			0.0	7.0	7.0	7.0	7.0
Capitation Grant			105.6	145.8	174.2	203.5	219.1
Remainder			20.1	0.5	5.2	3.6	2.3
o/w Secondary Education - Non Wage Recurrent	127.1	137.4	130.7	139.4	145.7	158.2	171.0
Inspection/Monitoring (Secondary & BTJET)			1.2	1.0	1.2	1.2	1.2
Capitation Grant			129.6	131.9	144.5	157.0	169.8
Remainder				6.5	0.0	0.0	0.0
o/w Skills Development - Non Wage Recurrent	31.8	32.7	35.0	35.0	42.0	45.5	47.7
o/w SNE Education - Non Wage Recurrent			0.6	0.6	0.8	0.9	0.9
Development - Education Sector Development Grant	32.5	128.6	152.0	182.4	184.4	237.4	201.8
o/w Seed Secondary Schools & New School Labs (Construction & Equipment)	0.0	79.5	106.4	130.4	117.4	154.4	92.8
o/w Formula based	32.5	49.1	45.6	52.0	67.0	82.9	109.0
Total Health	39.9	109.3	106.2	249.0	426.6	464.5	464.7
Total Health - LGs	39.9	109.3	106.2	167.6	307.8	330.7	327.7
Recurrent - Health Wage Grant Increment (Cumulative)				3.5	43.3	70.5	70.5
Health Wage Grant Increment - Least Staffed LGs				0.0	27.2	54.3	54.3
Health Wage Grant Increment - Upgraded HC IIIs				3.5	13.9	13.9	13.9
Health Wage Grant Increment - Transitioned Refugee-Serving Health Facilities				0.0	2.3	2.3	2.3
Recurrent - Health Non-Wage Grant	39.9	39.9	56.2	85.9	131.4	140.1	155.1
o/w Primary Healthcare - Health Centres	25.3	25.6	36.6	56.0	94.8	103.2	116.2



<i>Total Indicative LG Allocations (US\$ Billions)</i>	<i>Actual Budget Allocations</i>						
	<i>2017/18</i>	<i>2018/19</i>	<i>2019/20</i>	<i>2020/21</i>	<i>2021/22</i>	<i>2022/23</i>	<i>2023/24</i>
	<i>Original UgIFT Timeframe</i>					<i>Additional Years</i>	
DHO Allocation			6.6	8.4	5.8	5.8	6.3
Primary Health Care (HCIII, HCIV)			21.8	31.3	76.0	84.3	95.9
o/w Basic Facility Allocations (PHC)			21.8	31.3	19.8	19.8	21.4
o/w Results Based Financing			0.0	0.0	56.2	64.5	74.5
Primary Health Care (HCII)			8.2	16.3	13.0	13.0	14.1
o/w Primary Healthcare - Hospital	14.6	14.3	19.6	30.0	36.6	36.9	38.9
Basic Facility Allocations (PHC)	14.6	14.3	19.6	30.0	19.6	19.6	21.2
Results Based Financing			0.0	0.0	17.0	17.3	17.7
Development - Health Sector Development Grant	0.0	69.4	50.0	78.2	133.1	120.1	102.1
o/w Facility Upgrades & New HCIIIs (Construction & Equipment)		62	39.7	55.1	88.6	75.6	40.5
o/w Formula and Performance-Based		7.4	10.3	23.1	44.5	44.5	61.6
Total Health - Central Government (from FY 20/21)			75.3	81.4	118.8	133.8	137.0
Recurrent - Essential Medical Supplies & JMS - PNFP (from FY 20/21)			75.3	81.4	118.8	133.8	137.0
Total Water and Environment (from FY 20/21)			53.7	90.0	91.0	112.0	113.1
Recurrent - Water & Environment Non-Wage Grant (from FY 20/21)	5.3	5.3	5.3	13.0	13.5	14.0	15.1
Rural Water & Sanitation			4.5	10.0	10.0	10.0	10.8
Natural Resources & Environment			0.8	3.0	3.5	4.0	4.3
Development - Water & Environment Development Grant (from FY 20/21)	48.4	48.4	48.4	77.0	77.5	98.0	98.0
Total Agriculture [Microscale Irrigation (from FY 20/21)]				5.9	50.0	67.6	150.0
LGs: Development - Microscale Irrigation Subgrant				5.9	50.0	67.6	150.0
Total Grant Allocations	299.1	493.1	556.3	879.8	1,216.6	1,463.8	1,553.9
Recurrent - Wage	0.0	0.0	0.0	20.7	123.3	214.4	226.9
Recurrent - Non-Wage	266.6	295.2	354.3	515.7	648.4	726.3	775.3
Development	32.5	197.9	202.0	343.5	444.9	523.1	551.8
Share going to Refugee Hosting LGs			41.4	57.4	77.2	87.3	96.6
Changes in Refugee Hosting LGs Allocations				16.01	19.78	10.15	9.28



Box 6.1: Allocation Formulae and Principles – Education

<i>Allocation Formula for Education NWR Grants⁴⁸</i>		
Variable	Weight	Justification
Number of learners	90	The actual number of children in school is a key driver for operational costs of education services. More students need more capitation grants and other school inputs.
Performance index	6	Those local governments with lower proficiency in English and Math will receive additional resources to be used to help equalize key education performance outcomes.
Population in Hard to Reach, Hard to Stay Areas	2	Mountainous, islands, rivers, etc., have peculiar terrain which increases the cost of providing services. The formula provides greater allocations to these areas.
Land area	2	Land area can impact the cost of providing education, especially in sparsely populated areas with a large land size such as Karamoja region. The formula therefore makes allowance for this.

<i>Formula Based Window of the Education Development Grant</i>			
Component	Share	Method	Explanation
Basic formula share	50%	Basic formula share applied	To balance equity and performance incentives
Local Government Performance Assessment Results	50%	Local Government Performance Assessment Scores squared multiplied by Basic Performance Share	To incentivize education-related local government performance.

<i>Basic development grant formula variables</i>		
Variable	Weight	Explanation
Population of school going age	30%	Is a proxy for the number of potential children who should be in school and the corresponding need for education infrastructure.
Inverse Net enrolment	30%	For increased targeting to fund maintenance etc. in districts where net enrolment is lower.
Fixed Allocation	19%	A fixed allocation ensures that there is a minimum development grant allocation for each LG.
Performance Index USE	5%	Those local governments with lower proficiency in English and Math will receive additional resources to help reduce class sizes and improve education facilities.
Performance Index UPE	5%	
Population in Hard to Reach, Hard to Stay Areas	3%	Mountainous, islands, rivers etc. have peculiar terrain which impacts the cost of education services. The greater allocations are provided to these areas.
Land area ⁵	2.5%	Land area can impact the cost of providing education, especially in sparsely populated areas with a large land size.
Islands	0.5%	For the additional costs incurred by Islands in two votes.
Urban population	5%	So that Municipal LGs' allocations better reflect their population.

⁴⁸ Unit costs for capitation and minimum maintenance funds are allocated before formulae are applied



Box 4.2: Allocation Formulae and Principles - Health

Allocation Formula for PHC NWR Grants																													
<p>Fixed costs:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Gov</th> <th></th> </tr> </thead> <tbody> <tr> <td>HC II</td> <td style="text-align: right;">2,000,000</td> </tr> <tr> <td>HC III</td> <td style="text-align: right;">4,000,000</td> </tr> <tr> <td>HC IV</td> <td style="text-align: right;">8,000,000</td> </tr> <tr> <td>PNFP</td> <td></td> </tr> <tr> <td>HC II</td> <td style="text-align: right;">1,000,000</td> </tr> <tr> <td>HC III</td> <td style="text-align: right;">2,000,000</td> </tr> <tr> <td>HC IV</td> <td style="text-align: right;">4,000,000</td> </tr> <tr> <td>HC IV (Special)</td> <td style="text-align: right;">50,000,000</td> </tr> </tbody> </table>	Gov		HC II	2,000,000	HC III	4,000,000	HC IV	8,000,000	PNFP		HC II	1,000,000	HC III	2,000,000	HC IV	4,000,000	HC IV (Special)	50,000,000	<p>Formula</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Variable</th> <th style="text-align: left;">Share</th> </tr> </thead> <tbody> <tr> <td>Infant Mortality</td> <td style="text-align: right;">10 %</td> </tr> <tr> <td>Population⁴⁹</td> <td style="text-align: right;">60 %</td> </tr> <tr> <td>Poverty headcount</td> <td style="text-align: right;">20 %</td> </tr> <tr> <td>Population in HTRA</td> <td style="text-align: right;">10 %</td> </tr> </tbody> </table>	Variable	Share	Infant Mortality	10 %	Population ⁴⁹	60 %	Poverty headcount	20 %	Population in HTRA	10 %
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⁴⁹ Should include refugee population

⁵⁰ Should include refugee population

⁵¹ Catchment population is calculated as the population of LLGs closest to the hospital in question



ANNEX 7: SERVICE DELIVERY IMPROVEMENT MATRIX

1. This Annex sets out the Service Delivery Improvement Matrix. The matrix sets out sectoral and cross sectoral actions to strengthen LG service delivery processes, systems and capacity, and forms the basis of DLI 3.
 - Each row in the matrix represents an action.
 - Progress on implementation of the actions will be reported on and monitored on a quarterly basis by the IFT TC and follow up activities agreed to complete the actions.
 - Based on implementation progress, the actions in the matrix may be adjusted, subject to agreement of the World Bank.

2. Completion of actions will be verified as follows:
 - A definition of completion and evidence required for verification of completion will be specified in the POM for each action. This definition of compliance should be prepared and incorporated in the POM at least six months prior to completion of the action.
 - Each MDA will provide the supporting evidence to OPM on completion of an action in line with the verification requirements specified in the POM.
 - The verification of completion of actions will be conducted by an independent firm contracted by OPM, which will report to the LGPA task force.
 - Where actions are the responsibility of OPM, then the LGFC will review the evidence compiled and advise the LGPA task force.

3. Under DLI 3 a value of US\$1 million is assigned to the completion of each action and the allocation to the DLI is US\$32 million under AF and US\$18m under the original Program, totaling US\$50m for 50 actions. The number of actions in the matrix is greater than 50. The completion of 50 actions would be seen as satisfactory progress over the duration of the UgIFT AF Program. Given the nature of the actions in the matrix, it is likely that some will be delayed and others will not be achieved due to unforeseen reasons. In the context of DLI 3, an action will be considered complete, even if it is delayed, unless otherwise stated in the verification procedures for that action in the POM.



Table 7.1: Service Delivery Improvement Matrix

Timing	Key Actions – EDUCATION
1: Strengthening school performance, teacher adequacy and time at task supported by a revitalised school inspection function <i>[Contributes to RA4/DLI 6 – Service Delivery Performance]</i>	
By Sept 2020	Basic minimum school standards for service delivery established and approved for both primary and secondary. This includes specification of a) bare minimum staffing levels, b) infrastructure and equipment requirements c) basic processes for school management. Principles, approach and phase-in plan developed for equitable distribution of primary and secondary teachers across LGs and to schools within LGs focusing on a) uplifting staff numbers in the lowest staffed LGs agreed and integrated into MTP for LG Financing, and b) including staffing for phase 1 and phase 2 secondary schools.
By Dec 2020	Harmonized inspection tool, staffing structure and model for the Inspection of Primary and Secondary Schools, consistent with integration of TELA, e-inspection and other instruments developed and disseminated. Staffing structure for the inspection function in Local Governments for primary schools agreed with Ministry of Public Service and funded in the 2021/22 budget. School performance assessment (SPA) tool/manual based on harmonized inspection tool and agreed minimum school standards, tested and finalized along with a combined roll out plan for the School performance assessment and Teacher Effectiveness and Learner Achievement (TELA) developed and an impact evaluation.
By June 2022	Combined package of SPA, harmonized inspection and TELA rolled out to and under implementation in 20 LGs.
June 2023	Combined package of SPA, harmonized inspection and TELA rolled out to at least 50 LGs (depending on results from the impact evaluation).
2: Strengthening the capacity, processes and tools for the District/Municipal Education Office to manage human resources, infrastructure and service delivery <i>[Contributes towards RA 3/DLI 5, LG Management of Service Delivery and Investments]</i>	
By Sept 2020	Sector LG budget structure for program outputs, performance indicators, schools, staffing, infrastructure and equipment local government workplan updated for inclusion in the PBS.
By June 2021	National stock-take of school infrastructure and equipment undertaken and School Atlas in place. Geotagged asset registers populated by at least 75 percent of local governments. School Atlas in place, using information from stock-take and piloting of dashboards and tools underway in at least 10 district local governments, with report on implementation including how information is used in decision making and accountability.
3: Strengthening central government oversight and support to improving education service delivery <i>[Contributes towards RA 2/DLI 3, Central Government Routine Oversight Service Delivery]</i>	
By Sept 2020	Framework developed for national government coordination oversight and regional technical support to local service delivery which includes a) functional roles and responsibilities of MoES and other departments b) required institutional structures c) coordination arrangements c) a calendar of oversight activities and d) performance measures.
By June 2021	Structures approved and central government positions (incl. the inspection function in DES) agreed with MoPS and filled to perform core functions in coordination, oversight and management of and technical support to service delivery.
4: Integrated Digitization of Education Service Delivery and its Management <i>[Contributes to all RAs]</i>	
By Sept 2021	A time bound costed strategy developed for the integrated digitization of education service delivery and its management , based on an assessment of education information and management tools and systems, incorporating TELA, e-inspection, EMIS and other tools. The strategy aims to enhance the inter-operability of tools, rationalizing overlapping tools and filling in gaps in a way which addresses the challenges to service delivery and improving transparency. Automated system for capturing and quality assuring results school performance assessment results developed and linked to or integrated with OPAMS and OTIMS
By June 2023	Digital tools which include a) a DEO dashboard developed and implemented based on costed strategy and b) developed to enable schools to prepare workplans and reports. The DEO dashboard may include school performance (OPAMS), inspection (e-inspection), human resources, school facilities, work planning and budgeting (PBS) linked to / part of strengthened national education management information systems (EMIS). The school tools would enable maintenance of basic school performance data and information on facilities, linked to sector management information systems.



Timing	Key Actions – HEALTH
1. National Roll out and Mainstreaming Facility Result Based Financing, Quality Improvement and efficiency in the distribution of Health Workers and Medical Supplies <i>[Contributes to RA4/DLI 6 – Service Delivery Performance]</i>	
By Sept 2020	Basic minimum health facility standards for service delivery established and approved and integrated strategy for mainstreaming RBF in 2021/22 and Quality Improvement finalized and approved by the IFTRP Steering Committee. This includes specification of a) bare minimum staffing levels, b) infrastructure and equipment requirements and c) costing and principles for the RBF roll out.
	Principles, approach and phase-in plan developed for equitable distribution of wage and health workers across LGs and to Facilities within LGs focusing on a) uplifting staff numbers in the lowest staffed LGs to agreed minimum health facility and DHT staffing levels, b) staffing the upgraded HCIIIs and c) follow up with local governments on use of funds allocated for wages this and follow-on FYs.
	Agreed approach to strengthening supply of essential medical supplies which involves a) increasing allocations to an agreed target level for a defined priority package of commodities, b) objective allocation to districts and facilities linked to workload/need, c) availing information on the allocations and distribution of commodities to LGs and facilities to the public and d) enhance tracking of redistributed health commodities.
By Dec 2020	Updated implementation manual for RBF mainstreaming and harmonized district/municipal level quality enhancement and performance assessment tools. This will include the updated package of the core health results to be financed through RBF and priority quality improvement interventions approved including (a) assessment and incentive payments which promote balanced preventive and curative service delivery for mainstreaming for 2021/22 (b) harmonized approach to facility quality improvement based on the HPQAP and the adapted RBF approaches (c) Strengthened framework and tools for monitoring performance of all health facilities by functional DHMTs and HUMCS/Hospital Boards having strong community involvement.
2: Strengthening processes and tools for the District/Municipal Health Team to manage staff, infrastructure and service delivery <i>[Contributes towards RA 3/DLI 5, LG Management of Service Delivery]</i>	
By Sept 2020	Sector LG budget structure for program outputs, performance indicators, health facilities, staffing, infrastructure and equipment local government workplan updated for inclusion in the PBS.
By June 2021	National stock-take of health facility infrastructure and equipment takes place, and GIS assisted Health Facility Atlas developed with, with geotagged asset registers populated for all health facilities in at least 75 percent of local governments.
3: Strengthening central government oversight and support to improving health service delivery <i>[Contributes towards RA 2/DLI 3, Central Government Routine Oversight Service Delivery]</i>	
By Sept 2020	Framework developed for national government coordination oversight and regional technical support (identify all key functions requiring special oversight e.g. RBF, technical supervision by RRHs, equipment maintenance workshops, refugee health etc.) to local service delivery which includes a) functional roles and responsibilities of MoH and other relevant agencies b) required institutional structures c) coordination arrangements d) a calendar of oversight activities and e) performance measures for inclusion in the performance assessment framework. This framework will accommodate oversight and support required to address the peculiar needs of refugee hosting LGs as well.
By June 2021	Regional supervisory structures established and central government positions (incl. RBF, technical supervision and mentorship by RRHs, ensure functionality of regional equipment maintenance workshops) filled to perform core functions in coordination, oversight and technical support to service delivery.
4. Integrated digitalization of health service delivery and its management <i>[Contributes to all RAs]</i>	
By June 2021	A costed strategy developed for the integrated digitization of health service delivery and its management , based on an assessment of health information and management tools and systems. . The strategy is time bound and aims to enhance the inter-operability of tools, rationalizing overlapping tools and filling in gaps in a way which addresses the challenges to service delivery and improves transparency.
	Automated system for RBF invoicing, verifying results and administering results payments anchored to DHIS 2 and linked to OTIMS and OPAMS developed, tested and ready for implementation and made available online for FY2021/22
	Information on district and facility allocations of medical supplies and facility performance (outputs, quality score etc) made publicly available and linked to the budget website or equivalent.
	Electronic Medical Records System implemented in all 13 Regional Referral Hospitals
By June 2022	Digital tools for a) Harmonized and integrated DHMT dashboards and b) Harmonized mobile/web-based tools for health facilities. DHMT tools provide management information including facility performance, monitoring, human resources, medical supplies, infrastructure and equipment, work-planning and budgeting linked to national management information systems. Health facilities tools enable them to prepare workplans, budgets and financial reports and maintain basic health facility performance data and information on infrastructure and equipment, linked to PBS and sector management information systems.



Timing	Key Actions – WATER and ENVIRONMENT
1. Strengthened system of delivery of water supply services at the subcounty level <i>[Contributes to RA4/DLI 6 – Service Delivery Performance]</i>	
By Sept 2020	<p>Basic standards and a strengthened framework for identification and management of water supply and sanitation facilities at the sub-county and community level developed, with a) a focus on ensuring functionality of existing water supply facilities and associated operation and maintenance arrangements, b) prioritize investments on areas without access to functional water supply facilities, with c) community applications in place for all investments which ensure sustainable supply of potable water.</p> <p>A sub-county performance assessment and improvement framework designed to assess and support the strengthening of a) the management of existing water supply and communal sanitation facilities, including their functionality, the communities they serve and their water user committees and b) the prioritization of investments communities without access to functional water supply and sanitation facilities consistent with strengthened framework.</p>
2: Strengthened LG management of water and environment services <i>[Contributes towards RA 3/DLI 5, LG Management of Service Delivery and Investments]</i>	
By Sept 2020	<p>Functional review of the water and environment functions agreed proposals and strengthened guidance for water and environmental management functions at the LG level. Review and proposals provide for a) clearer functional responsibilities in water and environment management, including climate mitigation b) integrated water and natural resources department structures with local government positions agreed with MoPS, c) updated budgeting and technical guidance for environment management functions and associated grant guidelines (both sectoral and DDEG) and allocation formula, including identification of natural resources investments; and d) enhanced reporting on water and environment functions.</p> <p>Sector LG budget structure for programs, outputs, performance indicators, subcounties, staffing, infrastructure and equipment local government workplan updated for inclusion in the PBS aligned with results from the functional review including water, sanitation, .</p>
By June 2021	National stock-take of district water supply and sanitation facilities and information made available on the water atlas takes place with data collected by local governments takes place with an agreed template for registering assets.
3: Functional capacity for central government oversight and support to rural water service delivery	
By Sept 2020	Framework developed for national government coordination oversight and regional technical support to local water and environment service delivery which includes a) functional roles and responsibilities of MWE and NEMA b) required institutional structures, including and regional Technical Support Units c) coordination arrangements d) a calendar of oversight activities and e) performance measures for inclusion in the assessment framework.
By June 2021	Structures filled to perform core functions in coordination, oversight and management of and technical support to service delivery in water and environment in MWE and NEMA, including regional technical support.
4. Digitization of the management of rural water supply services	
By June 2021	A strengthened LG management information system for water supply and sanitation to facilitate improved decision making for use and updating at the LG level (asset inventory, subcounty performance, water user committees, community applications, technical and financial reporting) which are integrate with national databases. System will include functionality for capturing and quality assuring results of subcounty performance assessment results and be linked to or OPAMs and OTIMS and the budget website or equivalent.
By June 2022	The Water MIS system is rolled out to all District Local Governments , who are trained on the system and provided with technical support to update the information on the system and water atlas available online linked to data generated from LGs during the national stocktake using the system.



Timing	Key Actions – MICRO SCALE IRRIGATION
1. Establishment of system to support farmers to access micro irrigation and benefit from complementary services and functional district capacity <i>[Contributes to RA4/DLI 6 – Service Delivery Performance]</i>	
By Sept 2020	<p>A costed phase in plan for microscale irrigation is prepared, which includes the roll out of a package of support in phases nationwide which enables farmers to access irrigation equipment and complementary services.</p> <p>Development of national communication strategy and communication materials for farmers to access irrigation investments prepared for publicity and information management (Newspapers, TV and radio adverts, radio talk shows and sport messages, IEC materials etc..) to generate farmer demand in local governments, sensitize parliament and relevant MDAs to establish synergies, coordination, support and ownership.</p> <p>Phase 1 LG production office staff and extension workers trained on program and technical guidelines and provided with technical support to assist in the identification of eligible farmers and associated applications.</p>
By Sept 2020	Sector LG budget structure for program outputs, performance indicators, sub-counties, staffing, infrastructure and equipment local government work plan updated to accommodate micro scale irrigation for inclusion in the PBS.
By June 2021	<p>A national communication campaign implemented and training program takes place, focused in with communications and training strategy, with focus on phase 1 LGs and national stakeholders to help mobilize effective demand from farmers, parliament. Phase 1 LG production office staff and extension workers continued training on program and technical guidelines and provided with technical support to assist in the identification of eligible farmers, associated applications, and initial farmer field school operations.</p> <p>A stock-take of available water sources for irrigation takes place for phase 1 local governments with an agreed template.</p>
By Dec 2021	A National Symposium and Market sounding on Micro scale Irrigation has taken place and MAAIF has provided support to LGs in the implementation of procurement arrangements for irrigation development during 2021/22.
By June 2022	Continued national communication campaign, package of awareness activities and stakeholder training implemented in phase 1 LGs
By June 2023	<p>A national communication campaign, package of awareness activities and stakeholder training implemented, focused on phase 2 LGs to help mobilize effective demand from farmers. Phase 2 LG production office staff and extension workers trained on grant and budget, program and technical guidelines and provided with technical support to assist in the identification of farmers to qualify for identification of eligible farmers, associated applications, and initial farmer field school operations.</p> <p>A stock-take of available water sources for irrigation takes place for phase 2 local governments and data entered into the MIS</p>
2: Functional capacity for central government oversight and support to micro scale irrigation <i>[Contributes towards RA 2/DLI 3, Central Government Routine Oversight Service Delivery]</i>	
By Sept 2020	Framework developed for national government coordination oversight and technical support to LG irrigation service delivery which includes a) functional roles and responsibilities of MAAIF b) required institutional structures c) coordination arrangements c) a calendar of oversight activities and d) performance measures.
By June 2021	Structures approved and central and local government positions agreed with MoPS and MAAIF structures filled and MAAIF team trained (DAIMWAP, DAES, DCR, Planning) to perform core functions in coordination, oversight and management of and technical support to service delivery, trained on data collection, MIS, FFS approaches, irrigation designs planning, development and Management, M&E.
4. Digitization of the management of irrigation service delivery <i>[Contributes to all RAs]</i>	
By Sept 2020	App for the operationalization of the technical guidelines , tested and deployed alongside tablets to phase 1 local governments.
By June 2021	An integrated National and LG Irrigation Management Information System (MIS) providing geo-tagged information on infrastructure at farmer, sub-county, and district levels will be developed and tested. System will include functionality for capturing and quality assuring results of sub-county performance assessment results and be linked to or OPAMs and OTIMS and the budget website or equivalent.
By June 2022	The Irrigation MIS system is rolled out to all phase 1 Local Governments , with data entered into the system from the stock take and atlas prepared.
By June 2023	The Irrigation MIS system is rolled out to all phase 2 Local Governments , with data entered into the system from the stock take and atlas prepared.



Timing	Key Actions - CROSSCUTTING
Human Resource Management	
By Dec 2020	Establishment structures for sectoral departments, LLGs and service facilities and aligned to accommodate agreed minimum levels for critical district and municipal staff, health-workers and teachers (MoPS) and unconditional grant wage allocations adjusted , with complementary circular from MoPS to LGs to provide clear and staged approach to ensuring posts are filled and deployment of staff over the medium term, and central secondment of critical staff.
	Cross sectoral strategy for addressing absenteeism including a) recruiting, deploying and retaining staff in challenging (hard to reach hard to stay) areas (MoH, MoES, MAAIF and MWE) (b) strengthening time at task (MoPS, OPM, MoFPED and MoLG).
June 2021	Establishment of consultative committees to handle grievances and disputes at each LG and MDA , in line with Public Service Negotiating, Consultative, and Dispute Settlement Machinery and this should be captured in the assessment framework.(MoPS)
LG Budgeting, Public Investment Management and Reporting and for Service Delivery	
By Dec 2020	LG Public Investment Management Procedures in place which <ul style="list-style-type: none"> - Involve LG asset registers for service delivery infrastructure and equipment as the basis of decision making for investing in existing and new infrastructure. - Set out a process for the DTPC processing of projects eligible for budgeting: a) sector certifies in line with sector prioritization guidelines; b) local council structures and community have been consulted c) project environmental and social screening has been carried out and endorsed by the Community Development and Environment Officers and d) land is available and owned by the LG. - Contract supervision including: contract supervision including roles clerks of works, safeguards assurance, supervision, roles of District Engineer, Environment and Community Dev Officers in larger and smaller investments direct supervision by districts. - Interim payment certificates shall be approved by the Engineer only where a) the clerk of works has cleared and b) a site meeting has taken place at which the clerk of works gave his/her recommendation and representatives of the Environment and Community Development Offers were present and b) the Environment and Community Development Officer has approved. - Include relevant forms for project proposals, screening, reporting and checklists. This includes a safeguards mainstreaming checklist to guide LGs during planning, design, budgeting, bidding, contracting and implementation
By June 2021	Strengthened budgeting and reporting system functionality for 2021/22 including PBS functionality for a) combined allocation of staff and operational funding to sub-counties and facilities b) improved budget formats with lists facility and project allocations in PBS, c) updated standard output structure and performance indicators for core services, d) linked to LG PIM system e) online review in PBS of sector budget compliance by sector ministries and MoFPED, f) consolidating LG information on sector performance and g) tracking and reporting on environmental (including Climate Change) and Social performance
By Jun 2022	A system for local government public investment management linked to the PBS which includes geotagged facility/LLG asset register/facility information, linked to sector MIS databases with information linked to national budget website. Online system for school and health facility budgeting, cash management and reporting linked to PBS and IFMIS being piloted in 10 LGs.
Social and Environmental Requirements	
By Sept 2020	PPDA standard bidding documents for works incorporating environmental and social risk requirements adopted by all LGs under UgIFT AF. MWE and NEMA strengthen tools for environmental and social screening and monitoring of implementation of requirements and grievance redress , in consultation with MoWT, MGLSD, MoLG, PPDA and other oversight bodies will revise and update a) the ESHS screening form and checklist, integrating climate change and disaster risks; develop ESMPs templates, and b) develop integrated reporting forms/checklists for joint monitoring at the local governments and central government levels, and c) Guidance for establishment and functioning of grievance redress in LGs including a grievance handling system and consultative committees to handle grievances and disputes at each LG and MDA, in line with Public Service Negotiating, Consultative, and Dispute Settlement Machinery. Crosscutting and sectoral community engagement structures
By Dec 2020	Undertake a functional review and social skill needs assessment and agree proposals related to strengthening social risk management at the LG level including, GBV and VAC (in coordination with the review of environment functions). This includes i) development strengthened joint E&S guidelines including monitoring tools for non- E&S Officers, both at the Central and Local Governments ii) agreed staffing structures; iii) prepare a training program for the social team at the Ministries and DLG. iv) Include the application of non-compliance penalties in the LG Assessment Tool; and (v) update budgeting guidelines to require minimum allocations to E&S requirements Eligible investments in environment, climate change mitigation and adaptation and social risk management identified (MoFPED, MWE and NEMA) for including in DDEG and sector guidelines. Environment and Social Safeguards requirements identifiable in revised LG budget structure and reporting formats for Social Development and Natural Resources departments via outputs and performance indicators for inclusion in the PBS aligned with results from the functional review.
By June 2021	All Local Governments Trained on Strengthened Systems and Guidance for Environmental and Social Risk Management , including key specialist and non-specialist staff.
By June 2022	Automated Quarterly and Annual reports generated from the PBS on Environment and Climate change integration in annual workplans and budgets. (MoFPED, MWE, NEMA)
Coordination and Communication of IFT Reforms	
By Sept	UgIFT Communications Strategy has been developed and initial communication activities have taken place relating to LGPA and minimum conditions
By Dec 2021	Combined information on facility and sub county staff, non-wage recurrent, facility and performance information available on the Budget Website or equivalent, drawing from service delivery performance assessment results are automated and linked to OPAMS provides combined geotagged facility level linked to PBS OTIMS and sector management information systems.



Timing	Key Actions –REFUGEE HOSTING LGs
Integrated Refugee Response	
By Sept 2020	<p>OPM prepares official refugee population by district and this data is included in population variables which are used by sector ministries in the allocation variables formulae for FY 2020/21. The revised variables will be used in the allocation of funds for FY 20/21 to be issued via corrigenda.</p> <p>MoES, MoH, and MWE formally endorse the approach to transition and integration of refugee and host education, health and water service provision into local government system and associated procedures.</p>
By Jun 2021	<p>All (12) Refugee hosting LGs have prepared costed and integrated refugee response and transition plans for health that are reflected in their Annual Budgets. These plans a) identify health facilities to be transferred to government/PNFP status b) plan for transition of health workers onto payroll and c) operational costs, d) sector investments from major revenue sources and e) have been presented to and adopted by a) the LG council and b) the Top Management of the Ministry of Health.</p> <p>All (12) Refugee hosting LGs have prepared costed and integrated refugee response and transition plans for education that are reflected in their Annual Budgets. These plans a) identify health facilities to be transferred to government/PNFP status b) plan for transition of health workers onto payroll and c) operational costs, d) sector investments from major revenue sources and e) have been presented to and adopted by a) the LG council and b) the Top Management of the Ministry of Education</p> <p>All (12) Refugee hosting LGs have prepared costed and integrated refugee response and transition plans for Water and Sanitation that are reflected in their Annual Budgets. These plans a) inventory of all water schemes run by partners and b) schemes to be transferred to LG management by year c) transition costs, d) set out planned sector investments from major on and off budget revenue sources and e) have been presented to and adopted by the LG council and the Top Management of the Ministry of Water and Environment</p>
By June 2022	<p>Progress has been made in education in refugee hosting LGs: a) at least 50percent of planned teachers have been transitioned and b) 75 percent of planned schools have been registered and are receiving capitation grants</p> <p>Progress has been made in health in refugee hosting LGs: a) at least 50 percent of critical health workers have been transitioned; b) at least 75 percent of identified facilities to be transferred have been registered and received fixed NWR and RBF payments (HCIIIs) and c) respective village health teams operational.</p> <p>Progress has been made in Water and sanitation in refugee hosting LGs: at least 50 percent of identified facilities have been transitioned</p> <p>Rehabilitation of Regional blood bank infrastructure in Arua is complete</p> <p>Rehabilitation of Regional blood bank infrastructure in Hoima is complete</p>
By June 2023	<p>Progress has been made in education in refugee hosting LGs: a) at least 75 percent of planned teachers have been transitioned and b) 90 percent of planned schools have been registered and are receiving capitation grants</p> <p>Progress has been made in health in refugee hosting LGs: a) at least 75 percent of critical health workers have been transitioned; b) at least 90 percent of identified facilities to be transferred have been registered and received fixed NWR and RBF payments (HCIIIs) and c) respective village health teams operational.</p> <p>Progress have been made in Water and sanitation in refugee hosting LGs: at least 75 percent of identified facilities have been transitioned</p> <p>Regional blood bank in Arua Complete, Staffed and Functional</p> <p>Regional blood bank in Hoima Complete, Staffed and Functional</p>