# PROJECT INFORMATION DOCUMENT (PID)
# APPRAISAL STAGE

Report No.: PIDA2720

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| **Project Name** | Kampala Institutional & Infrastructure Development Project 2 (P133590) |
| **Region** | AFRICA |
| **Country** | Uganda |
| **Sector(s)** | Rural and Inter-Urban Roads and Highways (90%), Sub-national government administration (10%) |
| **Theme(s)** | City-wide Infrastructure and Service Delivery (70%), Municipal governance and institution building (30%) |
| **Lending Instrument** | Investment Project Financing |
| **Project ID** | P133590 |
| **Borrower(s)** | Republic of Uganda |
| **Implementing Agency** | Kampala Capital City Authority |
| **Environmental Category** | B-Partial Assessment |
| **Date PID Prepared/Updated** | 15-Jan-2014 |
| **Date PID Approved/Disclosed** | 20-Jan-2014 |
| **Estimated Date of Appraisal Completion** | 20-Jan-2014 |
| **Estimated Date of Board Approval** | 20-Mar-2014 |
| **Decision** | |

## I. Project Context

### Country Context

1. Uganda established a strong record of prudent macroeconomic management and structural reform in the 1990s. The decade saw strong growth in Uganda's Gross Domestic Product (GDP), averaging 7.5 percent per annum. Successive shocks, both internal and external, including a global economic crisis, drought and corruption cases, have affected Uganda's macroeconomic stability in recent years. However, real GDP growth improved again in FY2013, bouncing back to 5.8 percent from 3.4 percent in FY2012. Inflation rates fluctuated from 6.5 percent in FY2011, spiking up to 23.5 percent in FY2012, but ebbed to 5.6 percent in 2013. In the medium term, Uganda's growth prospects remain positive at around 6 - 7 percent per annum with moderate inflation averaging around 5 percent.

2. Uganda continues to experience high population growth and rapid urbanization. Uganda's population has increased rapidly, from 24.2 million in 2002 to around 35 million in 2013. Its high population growth rate, averaging 3.3 percent per year in the last two decades, makes it one of the fastest growing countries in Africa. The urban population growth rate is also high - at 5.1 percent

per annum and it is projected that by 2035, out of a total population of 68 million, 30 percent (or 20 million) will be in urban areas. This compares to the current urban population rate of 16 percent. Kampala is the largest city of Uganda – with a population of 1.53 million now while the Greater Kampala Metropolitan Area (GKMA) is estimated to have around 3.15 million people – and has an annual growth rate of 5 percent per annum.

3. Urban areas are centers of major economic activities and Kampala is the hub of the country's economic, political, and administrative activities. Currently, urban areas in Uganda accounts for about 72 percent of manufacturing output and over 55 percent of the national GDP. While accurate data on the spatial distribution of economic activity in Uganda are not readily available, it is estimated that about 80 percent of the country's industrial sector is located in Kampala and the City generates about 50 percent of national GDP. Even after oil production starts, Kampala will continue to be a primate city for the country and this will require continued investment and policy support. In addition, Kampala's peculiar topography (seven hills, extended wet lands near a significant inland lake) explains why investments in storm water drainage and urban roads are so important. It is therefore evident that the growth of the Uganda economy is intrinsically linked to how well Kampala is managed and connected to the rest of the country.

4. With sustained and high economic growth, Uganda has reduced poverty substantially over the last two decades. The share of population living below the poverty line in Uganda has declined from 56.4 percent in 1992 to 24.5 percent in 2009. While incidence of poverty remains far lower in urban areas than rural ones (about 85 percent of the population resides in rural areas and contribute 94 percent to national poverty), poverty density is highest in urban areas. In Kampala, where the poverty rate is only 4 percent, the poverty density, at an average of 312 poor people per square kilometer, is almost 30 times that of the neighboring area of Central region, with 12.6 poor people per square kilometer. Investing in infrastructure in Kampala will therefore benefit the poor more than in any other place.

5. Urban job growth is one of the key contributors to poverty reduction, with Kampala playing a prominent role. The impressive decline in poverty in Uganda can be attributed to higher crop prices, agricultural diversification, growth of non-wage non-farm employment (primarily household enterprises) and urban job growths, particularly in Kampala. Growth in wage and salary employment and that of non-farm enterprises has been concentrated in the Kampala – Entebbe area. About 40 percent of all wage and salary jobs in 2005/06 were located in Kampala yet it accounted for only 10 percent of the labor force. Three quarters of the new formal jobs were created in the most urbanized districts such as Kampala, Wakiso, Mukono, Mbarara, Jinja and Arua. In addition, manufacturing firms are largely located within urban areas and the trend continues – increasing from 70 percent in 2001 to 74 percent in 2010.

6. To sustain long-term economic success and continued poverty reduction, it is imperative that the economic growth is inclusive, and efficient urbanization is one key aspect to achieving inclusive growth. Efficient urbanization could be characterized by five main features: (i) equitable basic services; (ii) efficient land policies and institutions; (iii) good connectivity and mobility within cities; (iv) good regional connectivity; and (v) housing and slum improvement for livability. Optimized urbanization will support firm growth and job creation, in both formal and informal sectors and thus contribute to inclusive economic growth and poverty reduction.

7. The Government of Uganda’s development priorities for sustained economic growth

includes improving infrastructure networks, addressing service delivery and employment needs of a growing and urbanizing population. The Government of Uganda’s strategic vision focuses on an accelerated socio-economic transformation with a goal of transforming the country to what the National Development Plan (NDP) 2010/2011 to 2014/2015 terms a modern society within 30 years. Boosting physical infrastructure is one of the four pillars of this National Development Plan which identified infrastructure as the main binding constraint to growth. In recent years, the government has shifted public expenditure towards addressing these constraints. The 2006 energy crisis, the deterioration of transport infrastructure, and analytical work highlighting the binding constraints to growth have led to a scaling up of infrastructure investments in the budget since FY 2008. One of the key infrastructure gaps to be addressed is improving road transport, which caters for 90 percent of transport requirements of the country, but where only four percent of roads are paved.

**Sectoral and institutional Context**

8. Kampala is lagging behind in provision of infrastructure and services and its rapid population and urban growth poses significant challenges for efficient urbanization. Levels of key urban services (roads, drainage, solid waste management, housing, green parks, education and health) in Kampala are declining - overwhelmed by the flow of both daily and long term migrants. The spatial extent of Kampala and efficiency of its economy is reduced with diseconomies from congestion. Kampala has rising motor vehicle ownership, coupled with rising income and reduction in cost of vehicles; the main arteries in Kampala are getting rapidly congested. The congestion challenge is compounded by the Government‘s decision to divest itself from provision of public transport. Public transport in Uganda now is dominated by 14 seater private mini buses and there has been an explosion of private motor vehicles (estimated to be growing at 11percent per year). Traffic snarls are a big problem in Kampala, which receives 1 million people commuting daily into the city. It is clear that better urban transport is needed in Kampala to reduce congestion and improve connectivity to facilitate movement of people and products to access markets and services, which in turn have a positive impact on job creation.

9. The project focus is on roads, junctions and drains and no other basic urban services. This is mainly because of: (i) Kampala’s specific needs (high motorization growth rates and topography) for improved connectivity and mobility, (ii) the health hazards associated with dust and mud from the unpaved roads and the existing poor drainage network, (iii) other urban services such as water and electricity are being provided by autonomous public corporations such as National Water and Sewerage Corporation (NWSC) and electricity distribution corporation (UMEME), and (iii) the need to have limited and focused interventions which would have much impact and transformative, rather than spreading thin. This operation therefore intends to support the World Bank Group’s twin objective of inclusive growth and transformative investments.

10. The recent discovery of oil brings both development opportunities and challenges. Oil production will change Uganda’s economic outlook, with major traffic implication to Uganda and Kampala specifically. It is against this background that KIIDP 2 intends to support the huge investment focus on Kampala drawing from the inclusive growth report and the significant role played by Kampala in terms of its economic importance to Uganda.

11. Kampala is a city of many hills and therefore prone to flooding once it rains with serious effects on values of properties, disruption of commercial activities and damage to roads

infrastructure. The majority of the urban poor in Kampala live in low lying areas which are prone to flooding whenever in trains. In 2003, under the Nakibubo Channel Rehabilitation Project, Kampala Drainage Master Plan (KDMP) was prepared. The plan assessed and analyzed the drainage situation in Kampala plus a drainage improvement plan covering the period up to 2040. Out of the eight primary drainage systems identified, only two have been widened and lined - namely the Nakivubo System and Lubigi System. There is still need for further investments in drainage improvements in Kampala City by carrying out canalization of the primary and secondary drains, and expansion of drainage structures which are crucial for not only maintaining the integrity of roads, but also will have direct benefits to the poor who are prone to flooding and loss of properties whenever it rains.

12. Given the inter-linkages between roads, drainage and traffic flow, the Kampala Urban Transport Improvement Plan (KUTIP) prepared in 2003 provided a framework for addressing these issues in a coherent and coordinated manner. KUTIP provided urgent traffic improvement and road maintenance intervention requirements for the short term investment, which were aliened to the more long term transport master plan study and the third update of the road sector development program just completed by the Ministry of Works and Transport (MoWT). Also the Greater Kampala Metropolitan Area (GKMA) Transportation Master Plan 2009, JICA study 2010 and Bus Rapid Transit Study 2010 indicate that improvement of all the junctions in the City are long overdue given the current increased traffic loads in the City.

13. Key to promoting a more efficient urbanization of Kampala is the strengthening of the Kampala Capital City Authority (KCCA). Kampala City was one of the districts of Uganda and used to be governed as a Local Government under the Local Government Act 1997. In March 2010, Kampala City was transformed and elevated from the District status to an Authority to be governed through the Kampala Capital City Authority Act 2010 to improve the administration of Kampala City, provide services to the public within an effective, efficient and accountable framework under the direct supervision of the Central Government. The Kampala Capital City Authority Act 2010 therefore replaced the Local Government Act, 1997 as the legal basis for managing Kampala City.

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14. The Authority is headed by an elected Lord Mayor (the Political Head of the City Authority), through adult suffrage, who also performs the functions of the Speaker of the Authority. The technical arm of the Authority is headed by the Executive Director who is the Accounting officer of the Authority. The Executive Director plus the ten Directors are appointed by the President on the advice of the national Public Service Commission.

15. KCCA vision is to make the city a vibrant, attractive and sustainable by 2040. The focus of the vision is on four thematic areas (i) Economic growth, (ii) Operational excellence and governance, (iii) Health and safety, and (iv) Planned and green environment.

16. To operationalize this vision, KCCA has launched a new Corporate Strategy (2013 – 2018), as a successor to the SFR, intended to lay the foundation for Kampala City Transformation. The strategy contains “The Kampala Recovery and Transformation Program (KARET)”. The program (KARET) builds on the success of other project such as the KIIDP 1 and focuses on four program areas:

- KCCA Institutional development –to improve KCCA institutional efficiency and effectiveness through improved business and corporate support functions and enhancing urban governance.

- Infrastructure and Civil works –to lay the foundation for revamping and development of modern infrastructure for the city so as to spur shared socio-economic growth.

- The socio-services development –to improve public health services; education services; and social services.

- Economic growth, sustainability and development – to promote investments that support creation of new jobs; growing economic sectors, city value chains that drive investment and innovation, and urban tourism.

17. KCCA, as a new institution, has made strides to improve governance and managerial capacity. It has recruited new staffs that are better paid while former non-performing staff have been fully compensated and separated from employment. KCCA management has taken steps towards enhancing the culture of transparency and due process in the administration and governance within the City administration. As such, it has established a formal public consultation process in which every fiscal year it holds budget conferences for all its stakeholders. It has also revamped its website, and is on Facebook and twitter social media. The project will enhance this by providing capacity building to both the political and technical staff of KCCA to address any capacity gaps.

18. The Bank has supported the urban and local government sectors of Uganda since the 1990s. Over the medium term, the World Bank's support to the urban sector in Uganda will be provided through two complementary interventions. The first operation - the Uganda Support to Municipal Infrastructure Development (USMID) - supports fourteen secondary cities (municipalities) through a US$ 150 million Program for Results (PforR) from 2003 – 2018. The second operation, i.e. the proposed project, will support Kampala city, the capital city through enhanced investments in infrastructure and institutional capacity of KCCA so as to improve urban mobility.

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19. This project is the second phase of the Kampala Institutional and Infrastructure Development Project (KIIDP) which was originally conceived as an adaptable program loan (APL). The first phase of the APL (First KIIDP - P078382) was approved by Board on November 6, 2007. The Project Development Objective of Phase 1 (of the APL) was to improve the institutional efficiency of Kampala Capital City (KCC) through implementation of the Strategic Framework for Reform of the KCC. KIIDP 1 closed on December 31, 2013. KIIDP 1 achieved its development objectives.

## II. Proposed Development Objectives

The project development objective (PDO) is enhanced infrastructure and institutional capacity of KCCA to improve urban mobility in Kampala.

## III. Project Description

**Component Name**

Component 1 – City Wide Road Infrastructure and associated investments

**Comments (optional)**

Focusing on civil works for roads, junctions and drainages so as to improve quality of roads infrastructure and associated investments in Kampala City for improved city mobility.

**Component Name**

Component 2 - Institutional and Systems Development Support

**Comments (optional)**

Focusing mainly on the three Directorates of Engineering and Works; Physical Planning, and Revenue so as to enhance Institutional capacity of KCCA for infrastructure development and maintenance.

## IV. Financing *(in USD Million)*

| | | | |
|---|---|---|---|
| Total Project Cost: | 183.75 | Total Bank Financing: | 175.00 |
| Financing Gap: | 0.00 | | |

| For Loans/Credits/Others | Amount |
|---|---:|
| BORROWER/RECIPIENT | 8.75 |
| International Development Association (IDA) | 175.00 |
| Total | 183.75 |

## V. Implementation

20. The institutional arrangements for project implementation will be in line with the government's structure. At the central level, the MoFPED and the Office of the Auditor General will be responsible for ensuring that project resources are budgeted for and disbursed within the national medium term expenditure framework (MTEF), and that project accounts are audited on a timely basis.

21. The implementation of KIIDP 2 will be mainstreamed into the KCCA relevant directorates for ownership and avoidance of the creation of parallel structures. The Management Executive Committee (MEC) – the apex technical body of KCCA – shall be responsible for the overall implementation guidance of the project. Project implementation progress reports shall be tabled to the MEC for consideration and overall guidance to the relevant Directorates. The relevant Directorates shall be the owners of the project activities and shall be held accountable by MEC for the delivery of the outputs and agreed results under their respective Directorates.



22. KCCA will be responsible for the execution of all project activities. Under KIIDP 1 KCCA received some support to its capacity building, and it took over the implementation of the KIIDP 1 as a mainstreamed activity. It has demonstrated its capacity and ability to manage IDA funded project. The Project Management Office under the Deputy Executive Director's Office will continue playing its role as the Project Secretariat. The secretariat will be responsible for; amongst other (i) consolidating reports and coordinating KCCA with the World Bank and any other Development Partners, (ii) carrying out project M&E functions, (iii) managing fiduciary activities, and (iv) developing and updating the procurement plan.

23. KCCA will be supported as necessary, by consultants who will be recruited and answerable to KCCA relevant technical staff for delivery of the specific tasks they have been contracted for. In addition KCCA will use young professionals as interns to provide the necessary training to these cadres of staff while at the same time providing the necessary capacity support for project implementation.

## VI. Safeguard Policies (including public consultation)

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

**Comments (optional)**

## VII. Contact point

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