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IDA/R2014-0072/1

March 7, 2014

Closing Date: Wednesday, March 26, 2014 at 6 p.m.

FROM: Vice President and Corporate Secretary

Uganda - Albertine Region Sustainable Development Project

Project Appraisal Document

Attached is the Project Appraisal Document regarding a proposed credit to Uganda for the Albertine Region Sustainable Development Project (IDA/R2014-0072), which is being processed on an absence-of-objection basis.

Distribution:
- Executive Directors and Alternates
- President
- Bank Group Senior Management
- Vice Presidents, Bank, IFC and MIGA
- Directors and Department Heads, Bank, IFC and MIGA

Document of
The World Bank

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Report No: PAD724

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF SDR 94.60 MILLION
(US$145 MILLION EQUIVALENT)

TO THE

REPUBLIC OF UGANDA

FOR AN

ALBERTINE REGION SUSTAINABLE DEVELOPMENT PROJECT

March 5, 2014

Urban Development and Services (AFTU1)
Country Department AFCE1
Africa Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective January 31, 2014)

Currency Unit = Uganda Shillings (UGX)

US$1 = UGX 2,452
US$1 = SDR 0.6518055

FISCAL YEAR
July 1 – June 30

ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank
AC	Asphalt Concrete
BTVET	Business, Technical and Vocational Education and Training
CAS	Country Assistance Strategy
DBST	Double Bituminous Surface Treatment
DFID	Department for International Development
DRC	Democratic Republic of Congo
EIRR	Economic Internal Rate of Return
ENPV	Economic Net Present Value
ESIA	Environmental and Social Impact Analysis
ESMF	Environmental and Social Management Framework
ESMP	Environment and Social Management Plan
FY	Fiscal Year
GDP	Gross Domestic Product
GoU	Government of Uganda
IDA	International Development Association
IFMIS	Integrated Financial Management System
IFR	Interim Financial Report
IPF	Investment Project Financing
IRR	Internal Rate of Return
LG	Local Government
MAAIF	Ministry of Agriculture, Animal Industry and Fisheries
MoES	Ministry of Education and Sports
MEMD	Ministry of Energy and Mineral Development
MoFPED	Ministry of Finance Planning and Economic Development
MoLHUD	Ministry of Lands, Housing and Urban Development
MoLG	Ministry of Local Government
MoWT	Ministry of Works and Transport
NDP	National Development Plan
NECRAMP	North-Eastern Corridor Road Asset Management Project

NEMA	National Environmental Management Authority
NOGP	National Oil and Gas Policy
NORAD	Norwegian Agency for Development Cooperation
PAP	Project Affected Persons
PCR	Physical Cultural Resources
PDPAA	Procurement and Disposal of Public Assets Authority
PforR	Program for Results
POM	Project Operations Manual
PSC	Project Steering Committee
PTC	Project Technical Committee
PST	Project Support Team
RAP	Resettlement Action Plan
RFQ	Request for Qualifications
RPF	Resettlement Policy Framework
RTF	Reform Task Force
SDA	Skills Development Authority
TOR	Terms of Reference
TSDP	Transport Sector Development Project
UNRA	Uganda National Roads Authority
UK-DFID	United Kingdom Department for International Development
UPIK	Uganda Petroleum Institute in Kigumba
UTC	Uganda Technical College of Kichwamba
USMID	Uganda Support to Municipal Infrastructure Development Project
VOP	Variation of Price

Regional Vice President:	Makhtar Diop
Country Director:	Philippe Dongier
Sector Director:	Jamal Saghir
Sector Manager:	R. Mukami Kariuki
Task Team Leader:	Dean A. Cira

UGANDA
Albertine Region Sustainable Development Project

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Uganda

Uganda: Albertine Region Sustainable Development Project (P145101)

PROJECT APPRAISAL DOCUMENT

AFRICA

AFTU1

Report No.: PAD724

Basic Information			
Project ID P145101	EA Category B - Partial Assessment		Team Leader Dean A. Cira
Lending Instrument Investment Project Financing	Fragile and/or Capacity Constraints [ ]		
	Financial Intermediaries [ ]		
	Series of Projects [ ]		
Project Implementation Start Date 26-Mar-2014	Project Implementation End Date 26-Mar-2019		
Expected Effectiveness Date 01-Jul-2014	Expected Closing Date 31-Jul-2019		
Joint IFC No			
Sector Manager Rosemary Mukami Kariuki	Sector Director Jamal Saghir	Country Director Philippe Dongier	Regional Vice President Makhtar Diop

Borrower: Ministry of Finance and Economic Development			
Responsible Agency: Uganda National Roads Authority			
Contact:	Eng. Bernardo Ssebbugga-Kimeze	Title:	Acting Executive Director
Telephone No.:	256-414318000	Email:	executive@unra.go.ug
Responsible Agency: Ministry of Lands, Housing and Urban Development (MoLHUD)			
Contact:	David Gabindadde-Musoke	Title:	Permanent Secretary
Telephone No.:	256-414342931	Email:	ps@mlhud.go.ug
Responsible Agency: Ministry of Education			
Contact:	Dr. Rose Nassali	Title:	Permanent Secretary
Telephone	256-414234451	Email:	permasec@education.go.ug

No.:

Project Financing Data(in USD Million)

[ ]	Loan	[ ]	Grant	[ ]	Guarantee
[X]	Credit	[ ]	IDA Grant	[ ]	Other

Total Project Cost:	153.89	Total Bank Financing:	145.00
Financing Gap:	0.00		

Financing Source	**Amount**
BORROWER/RECIPIENT	8.89
International Development Association (IDA)	145.00
Total	153.89

Expected Disbursements (in USD Million)

Fiscal Year	2015	2016	2017	2018	2019	2020			
Annual	10.00	20.00	40.00	35.00	40.00	0.00			
Cumulative	10.00	30.00	70.00	105.00	145.00	145.00			

Proposed Development Objective(s)

To improve regional and local access to infrastructure, markets, and skills development in the Albertine Region.

Components

Component Name	**Cost (USD Millions)**
Regional Access and Connectivity	95.00
Local Access, Planning and Development	25.00
Skills Access and Upgrading	25.00

Institutional Data

Sector Board

Urban Development

Sectors / Climate Change

Sector (Maximum 5 and total % must equal 100)

Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
Education	Vocational training	10		
Industry and trade	Other industry	8		
Public Administration, Law, and	Sub-national government	17		

Justice	administration			
Transportation	Rural and Inter-Urban Roads and Highways	65		
Total		100		

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

Themes

Theme (Maximum 5 and total % must equal 100)

Major theme	Theme	%
Human development	Education for the knowledge economy	25
Urban development	City-wide Infrastructure and Service Delivery	25
Financial and private sector development	Infrastructure services for private sector development	25
Rural development	Rural services and infrastructure	25
Total		100

Compliance

Policy

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

Safeguard Policies Triggered by the Project	**Yes**	**No**
Environmental Assessment OP/BP 4.01	**X**	
Natural Habitats OP/BP 4.04	**X**	
Forests OP/BP 4.36	**X**	
Pest Management OP 4.09		**X**
Physical Cultural Resources OP/BP 4.11	**X**	
Indigenous Peoples OP/BP 4.10		**X**
Involuntary Resettlement OP/BP 4.12	**X**	

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

Legal Covenants

Name	Recurrent	Due Date	Frequency
Name	**Recurrent**	**Due Date**	**Frequency**
UNRA Financial Management System		31-Dec-2014	

Description of Covenant

To facilitate the proper maintenance of its financial management system, the Recipient, through UNRA, shall, not later than six (6) months after the Effective Date, upgrade its financial management system.

Name	Recurrent	Due Date	Frequency
Administration of Bursaries		31-Mar-2015	

Description of Covenant

The Recipient, through MoES, shall not later than nine (9) months after the Effective Date, establish administrative arrangements for the implementation of the Bursary Scheme with a composition, mandate, terms of reference and resources satisfactory to the Association.

Name	Recurrent	Due Date	Frequency
MLHUD Appointment of Key Staff		30-Sept-2014	

Description of Covenant

The Recipient, through MLHUD, shall not later than three (3) months after the Effective Date, appoint/recruit a civil engineer, in accordance with the provisions of particular methods of procurement of Consultants' services.

Conditions

Name	Type
Subsidiary Agreement	Effectiveness

Description of Condition

The Subsidiary Agreement has been executed on behalf of the Recipient and UNRA.

Name	Type
Project Operational Manual	Effectiveness

Description of Condition

The Recipient has adopted the Project Operational Manual, in accordance with the provisions of Section I.B.1 of Schedule 2 to the Financing Agreement.

Name	Type
Appointment of Key Staff	Disbursement

Description of Condition

No withdrawal shall be made under Category (3), unless the Recipient, through MoES, has appointed a deputy Project coordinator and a procurement officer, all in accordance with the provisions of Section III.C of Schedule 2 to the Financing Agreement.

Team Composition

Bank Staff

Name	**Title**	**Specialization**	**Unit**
Marie Claire M. Li Tin Yue	Senior Program Assistant	Senior Program Assistant	AFTU1
Martin Fodor	Senior Environmental Specialist	Senior Environmental Specialist	AFTN3
Dean A. Cira	Lead Urban Specialist	Team Lead	AFTU1
Rachel K. Sebudde	Senior Economist	Senior Economist	AFTP5
Sukhdeep Brar	Senior Education Specialist	Vocational Education	AFTEW
Labite Victorio Ocaya		Sr Highway Engineer	AFTU1
Martin Onyach-Olaa	Sr Urban Spec.	Local Government	AFTU1
Rosemary Birungi Kyabukooli	Program Assistant	Program Assistant	AFMUG
Christine Makori	Senior Counsel	Senior Counsel	LEGAM
Elizabeth Ninan Dulvy	Senior Education Specialist	Senior Education Specialist	AFTEE
Howard Bariira Centenary	Senior Procurement Specialist	Senior Procurement Specialist	AFTPE
Edwin Nyamasege Moguche	E T Consultant	Financial Management	AFTME
Subethri Naidoo	Urban Specialist	Urban Specialist	AFTU1
Mariame Bamba	Program Assistant	Program Assistant	AFCF2
Barbara Nalugo	Team Assistant	Team Assistant	AFMUG
Luke Simon Jordan	Consultant	Private Sector Development Specialist	SASFP
Chyi-Yun Huang	Young Professional	Young Professional	AFTU1
Herbert Oule	Environmental Specialist	Environmental Specialist	AFTN3
Constance Nekessa-Ouma	Social Development Specialist	Social Development Specialist	AFTCS

Non Bank Staff

Name	**Title**	**Office Phone**	**City**
Andre Oosterman	Senior Economist		
Chris Banes	Engineer		
Wayne Bougas	Training Specialist		

Locations					
Country	**First Administrative Division**	**Location**	**Planned**	**Actual**	**Comments**

I. STRATEGIC CONTEXT

A. Country Context

1. **Uganda has sustained a decade of economic growth, despite challenges of macroeconomic instability in recent years, and its growth prospects remain positive.** The last 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[1] improved again in 2013, bouncing back to 5.8 percent from 3.4 percent in 2012. Inflation rates fluctuated from 6.5 percent in 2011, spiking up to 23.5 percent in 2012, but ebbed to 5.6 percent in 2013[2]. In the medium term, Uganda's growth prospects remain positive at around 6-7 percent per annum with moderate inflation averaging around 5 percent[3].

2. **Uganda's high rate of economic growth has resulted in a substantial reduction of poverty over the last two decades.** The share of population living below the poverty line has come down from 56.4 percent in 1992 to 22 percent in 2013[4]. All regions (Central, Northern, Eastern) except the Western one saw a decline in poverty[5] up to 2010; the Western region registered a slight, though statistically insignificant increase in the poverty headcount (from 1.44 million in 2006 to 1.6 million in 2010). The overall decline in poverty can be attributed to diversification of economic activity away from over-reliance on the farm, to nonfarm household enterprises. This in turn increased agricultural income and growth of wage employment, mainly in the urban areas (i.e. increasing at a rate of 7.3 percent per annum for over two decades). Peace has also allowed growth to rebound in post conflict Northern Uganda.

3. **Despite progress in overall poverty reduction, the incidence of poverty remains far higher in rural areas than urban ones.** In 2013, urban poverty was 10 percent and rural poverty stood at 25 percent. Up until 2010, the rural areas, where about 85 percent of the population resides, contributed 94 percent to national poverty. In addition, inequality across regions has also increased - with poverty in 2012/2013 at 49 percent in the Northern region, 28 percent in the Eastern region, 9.2 percent for the Western region, and 5.2 percent for the Central region[6]. For the Midwestern region[7] (geographic scope largely the same as that of the Albertine Region), where about 12 percent of the total population of the country resides, poverty was estimated at 25 percent in 2009/10.

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[1] Calculated at constant 2002 market prices. Source: Uganda Bureau of Statistics. September 2013. A Brief on Key Indicators Released by the Bureau during the Month of September 2013.

[2] Composite Consumer Price Index (CPI) (Base: 2005/2006 =100). Source: Uganda Bureau of Statistics. September 2013. Consumer Price Index.

3 Source: Bank of Uganda. June 2013. Financial Stability Report. Issue 5.

[4] Poverty headcount ratio at national poverty line (% of population). Source: Uganda Bureau of Statistics. Estimates consistent with World Bank's Global Poverty Working Group data.

[5] For 2006 to 2010, the Northern region saw the most impressive decrease in poverty headcount from 3.25 million to 2.84 million (14.5 percent), the Eastern Region went from 2.45 million to 2.2 million (11.6 percent) and the central region declined 5.7 percent. Source: Uganda Bureau of Statistics. August 2013. 2013 Statistical Abstract.

[6] Source: Uganda Bureau of Statistics. National Household Survey 2012/2013.

[7] For the purposes of the poverty assessment done for the inclusive growth report in 2012, Midwest included Masindi, Buliisa, Hoima, Kibaale, Bundibugyo, Kabarole, Kasese, Kyenjojo, and Kamwenge.

4. **Uganda continues to have high population growth which will put pressure on the provision of adequate employment, education, skills training and health.** 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 fastest growing countries in Africa. It has a young age structure with 48 percent of the population below 15 years of age. While efforts in universal primary education have achieved substantial results – a 132 percent increase in gross enrollment from 3 million children in 1996 to 7.5 million in 2006 – the low quality of education and high pupil dropouts have led to a major skills gap as the economy transforms. Many economically active people are trapped in low productivity, low income activities due to both a poorly educated and the rapidly growing labor force. Agriculture and non-wage smaller enterprises employ the bulk of new entrants into the labor market.

5. **The recent discovery of oil in the Albertine Graben Region (Albertine Region) will feature prominently in Uganda's development in the decades to come, bringing both benefits and challenges.** The first oil discovery was made at Mputa in the Albertine Region in 2006. It was the first in a string of recent East Africa oil finds that placed the region on the global oil map, with additional findings made in Kenya, Tanzania and Mozambique and much exploration interest in Somalia. Uganda is expected to become East Africa's second oil producer after South Sudan, with a potential of more than 2 billion barrels of oil[8]. Peak production is likely to be about 150,000 to 200,000 barrels per day for 10-20 years. An estimated 10,000 jobs could be created at peak times with indirect jobs perhaps at 3 to 5 times as high. Government revenue at peak production could be in the order of US$2 billion to over US$3 billion annually, possibly more than double Uganda's current budget. However, global experience demonstrates that natural resource wealth in the context of poverty and weak institutions increases the probability of corruption, patronage, instability, and conflict. Whether Uganda's oil is a blessing or curse depends largely on the establishment of an institutional framework that is transparent, ensures fair and equitable distribution of resource rents and appropriate consideration of economic, social, and environmental issues.

6. **The Government of Uganda's strategic vision focuses on transforming the country to what the National Development Plan (NDP) 2010/2011 to 2014/2015 terms a modern society within 30 years.** The NDP prioritizes a massive increase in skilled labor to contribute to the production of value-added export-oriented goods and services. Also high among Uganda's development priorities for sustained economic growth are improving infrastructure networks, adding value to agricultural products, reintegrating Northern areas that were until recently involved in armed conflict and addressing service delivery and employment needs of a growing and urbanizing population. This is also consistent with the Uganda Vision 2040.

7. **In addition, the government is preparing the institutional environment for oil production and revenue management.** The 2008 National Oil and Gas Policy (NOGP) stressed the need to use hydrocarbons revenues in a way that will contribute to eradicating poverty and

[8] As of March 2013, 3.5 billion barrels of STOIIP (Stock Tank Oil Initially in Place) and an estimated 1 billion barrels of recoverable oil equivalent. Source: Ministry of Energy and Mineral Development, Petroleum Exploration and Production Department (PEPD), National Environment Management Authority (NEMA). March 18, 2013. Strategic Environmental Assessment of Oil and Gas Activities in the Albertine Graben, Uganda.

creating value for society. The Policy explicitly says that oil and gas revenues should be safeguarded and managed “in a manner that will create lasting benefits for society.” To achieve that objective, the Policy calls for using petroleum revenues to develop strategic areas of the economy such as education and research, and the development of infrastructure. This could help increase productivity in other sectors and offset the “Dutch Disease” effect. In March 2013, the Ministry of Energy and Mineral Development (MEMD) and the National Environment Management Authority (NEMA) have also developed a final draft of the Strategic Environmental Assessment on the oil and gas activities in the Albertine Region. The goal of the assessment is to recommend appropriate policies, plans and programs which addresses environment and socio-economic concerns and ensures a balanced and sustainable development.

B. Sectoral and Institutional Context

8. **The potential of oil driven economic development has generated high expectations and the Government of Uganda (GoU) wants to ensure that the Albertine Region benefits from that development.** The major oil reserves are found in the areas immediately adjacent to Lake Albert, within the Nwoya, Buliisa and Hoima Districts. The significant scale of oil discoveries has driven expectations of the resources to contribute to poverty reduction, job and revenue creation. Some benefits have already been realized, mainly from oil-related infrastructure improvements: the GoU is upgrading roads linking the Lake Albert Shore to the towns of Hoima and Masindi as part of a national road network improvement program; local villages are benefitting from improved connections for greater market access; and sub-county governments are reporting improved revenues generated from taxes to the fishing trade. However, more can be done to promote sustainable and balanced development of the region by investing regionally, locally and in the people.

9. **Full-scale oil production in the Albertine Region is not expected to begin before 2018 although significant exploration and appraisal activities are ongoing.** Since the early 2000s, the Albertine Region has been subdivided into ten Exploration Areas. Currently, only four out of these ten Exploration Areas have been licensed to oil companies for exploration, development and production. All discoveries made so far have been within the Lake Albert petroleum system while the Rhino Camp (further North) and Lake Edward (further South) petroleum systems have not yet been proven. According to current planning, production will likely occur in 2018 at the earliest (most project even later) and various issues have to be resolved in the meantime. These include, amongst others, agreement and approval of field development plans, infrastructure and facilities, Environmental Impact Assessment process, capacity and efficiency build-up in various governmental institutions at various levels to manage the sector properly.

10. **At this opportune time before full-scale oil production begins, the GoU has requested World Bank support to prepare for and facilitate a more orderly, sustainable and inclusive transformation of the Albertine Region.** Of particular concern to the government is ensuring the development of: (i) regional transport infrastructure that will improve connectivity and access within and to the Albertine Region and facilitate an economy centered not only on oil, but also agriculture, fishing and tourism; (ii) local area development for orderly and planned growth, improvements in the infrastructure and services of rapidly urbanizing centers in the region, and improved access for rural communities; and (iii) a more skilled

workforce and better technical colleges that could respond to the demands and leverage the employment opportunities that are emerging in the region.

11. **The proposed project will complement other on-going initiatives supporting the Albertine Region in various sectors.** The Country Economic Memorandum (CEM), focusing on the impacts of the oil sector in Uganda, will bring together experiences from around the world to help Uganda address pressing policy choices, whilst also highlighting some key economic challenges associated with oil sector development. In addition, analytical work will undertake a value chain analysis of the oil sector aimed at identifying opportunities for local content vis-à-vis Uganda's capacity, and the binding constraints local suppliers are facing to participate in the oil sector. It will also review potential impacts of oil production on tourism. Those Bank activities are complemented by the work of other Development Partners such as Irish Aid which is supporting local small and medium enterprises in the region, on-going programs by the oil companies to develop local businesses, and work being supported on environmental sustainability in the region by USAID and the Norwegian Agency for Development Cooperation (NORAD). Other World Bank funded projects in the tourism, agriculture, water, and environment sectors are also active in the region.

Regional Access and Connectivity

12. **Opening up the Albertine region will require better transport, services and logistics support to, from and within the region.** Road transport is the dominant mode of transport in Uganda and serves over 90 percent of the passenger and freight traffic in the country. The country's road network comprises 21,000 km of national roads (of which about 3,500 km are paved), 32,000 km of district roads, 14,000 km of urban roads, and approximately 85,000 km of community access roads. National roads are under the management of the Uganda National Roads Authority (UNRA). They connect districts with one another and are also integral to the regional network connecting the land-locked Uganda with its neighbors, such as Rwanda, Burundi, South Sudan and parts of the Democratic Republic of Congo (DRC), and further to the ports of Mombasa and Dar es Salaam. District roads are the responsibility of District governments and provide access from rural areas to markets, health centers and other services. Urban roads are located within the boundaries of urban councils and are under the management of the urban governments. Complementing the road network are nine ferry crossings on the river Nile, Lake Kyoga and Lake Victoria.

13. **The GoU's economic development policy aims to promote the provision of cost effective, efficient, reliable, safe and environmentally sensitive transport services so as to support increased agricultural and industrial trade, tourism, social and administrative services.** The strategy emphasizes technically sound, economically justified and financially viable transport infrastructure. This will play a critical role in the development of an integrated and self-sustaining economy, poverty eradication and the economic integration of the country as a whole.

14. **The Albertine Region is in urgent need of improved connectivity linking local producers, tourists, and commercial and industrial enterprises to goods and services.** Currently, there is a lack of direct and efficient connection within the Albertine Region, between

the Region and the rest of the country, as well as with the neighboring countries. The major north-south link in Western Uganda, from Kyenjojo to Kigumba (towards Gulu), is currently in urgent need to be upgraded from the gravel surface to higher standards. This north-south link is a critical part of the national road network and overall GoU program which will greatly enhance connectivity within the Albertine Region, linking major urban growth centers such as Kyenjojo, Kagadi, Kabwoya, Hoima, Masindi and Kigumba and the outlying towns of Kaiso Tonya, Butiaba and Buliisa close to the oil fields. It also provides access to the region's vast tourist sites. Lastly, it provides Western Uganda a more direct linkage to neighboring countries - Rwanda and Burundi to the south and Juba in South Sudan and northeastern DRC to the north.

15. **Providing regional connectivity to the Albertine Region is critical to its development, especially for the oil, agriculture, and fishing and tourism sectors.** The development of transport infrastructure has been shown to boost economic growth from enhanced market access. With lowered transport costs and reduced travel time, better access to markets and supporting services, productivity, competition and business activity will increase for the Albertine Region as a whole. Important economic benefits which result from the improved connectivity of regional and district roads including an increase in agricultural production from the farm holdings within the road's zone of influence, potential rise in tourist numbers, better regional integration, increased cross border trade and enhanced oil exploration and extractive activities.

Local Access, Planning and Development

16. **Multiple government agencies are involved in urban planning and development and local government administration.** Foremost, the Ministry of Lands, Housing and Urban Development (MoLHUD) is responsible for physical planning of all urban areas in the country. The Ministry of Local Government (MoLG) oversees activities of local authorities and administration of related national policies. The Ministry of Finance, Planning and Economic Development (MoFPED), while being in charge of the management of the national economy and national development, is also responsible for the provision of fiscal transfers to districts and urban governments. In addition, the Local Government and Finance Commission provide guidance on the transfer of revenues to local authorities. Lastly, the Ministry of Public Service is responsible for developing policies that attract, retain and motivate the public workforce for the effective implementation of decentralization and services delivery of local governments, providing the national framework for human resource development and backstopping the District Service Commission.

17. **The Albertine Region is one of two special planning areas in the country, underscoring the importance the government has placed on planning the region for growth.** The MoLHUD has embarked on a regional physical development plan, supported with financing from the United Kingdom's Department for International Development (DFID) and administered by the World Bank. This regional level plan will provide guidance and an overall framework on the spatial development options, land use functions, infrastructure network, socio-economic services provision and environmental strategies. It also helps to lay the foundation to develop detailed local plans especially for centers that are experiencing rapid growth as more

people are attracted to the region in search of opportunities. The regional plan is expected to be completed in 2014.

18. **With the anticipated population increase and changing context in the Albertine Region, well planned and managed growth centers providing adequate infrastructure and services will be essential to its successful transformation.** The GoU hopes to avoid the potential negative externalities associated with insufficiently planned and ill-managed growth that is characteristic of many urban areas in the country. Proper urban planning and management, especially to guide services and infrastructure provision, will be essential to making informed choices for the development of local areas. This is particularly important for the smaller urban centers in the Albertine Region as they are facing immediate development pressures, have lagging services and infrastructure provision while still needing to balance environmental considerations. If done well, effective planning and execution could further compound the value of existing assets and foster a more closely-knit community. While all local governments have some form of development plans in place, it is not clear that these plans are up-to-date, are driving strategic decisions about future development and infrastructure investment or if they are aligned with local budgets.

19. **With a majority of the Albertine Region livelihoods centered on agriculture, one critical aspect of local development is rural-urban connectivity.** Low density rural areas need connectivity to markets in order to sell their product. The relative low density of pastoral and agro-pastoral communities in the Albertine region means that the feeder network which connects the areas of production to local urban nodes and onwards to the larger regional markets is essential to increasing access to markets for local farmers. In addition, the local communities will be better served with the journey time savings and improved access to social and health services and employment opportunities.

Skills Access and Upgrading

20. **In addition to planning for economic development in the Albertine Region, the Government has also prioritized training, to develop the necessary skills for Ugandans to participate more effectively.** The GoU through the Ministry of Education and Sports (MoES) has embarked on an ambitious strategy to reform and guide increased investment in the Business, Technical and Vocational Education and Training (BTVET) sub-sector of the education sector. Uganda's Vision 2040 and the National Development Plan accords high importance to skills development as a means to raise productivity and incomes and enhance the competitiveness of the economy. It recognizes a national skills gap and that improving BTVET will be a central element in the strategy to reducing the gap. Improving the quality of education and training with a focus on setting and raising standards and improving overall sector governance is a central element of the GoU's strategy.

21. **At the moment the BTVET system still does not produce the appropriately skilled workforce that Uganda needs to increase incomes and employment and to compete in the East African and international markets.** Less than 40 percent of large and medium firms regard courses offered by the BTVET institutions as relevant.

22. **GoU's recently approved strategy on *Skilling Uganda* (2012) articulates a paradigm shift towards developing demand-responsive, employable skills and competencies rather than simply providing education certificates that may or may not be relevant to the needs of the labor market.** A key aspect of this paradigm shift is the active engagement of private sector employers in the entire process of skills development - from the identification of trades and occupations where there are skills gaps, development of curricula, delivery of competency-based and enterprise level training, to being potential employers of learners with the requisite skills. Creating centers of excellence within specific sectors is a core element of the GoU's *Skilling Uganda* strategy.

23. **The strategy outlined the need to establish a unified body for skills development that answers the broadened mandate of the BTVET and the implied need for broader partnerships.** A Reform Task Force (RTF), with over half of the members represented by the private sector, was established as an interim management unit for four years to coordinate the implementation of the plan until a permanent body, the Skills Development Authority (SDA), and its governing structure is established. The RTF works under the technical guidance of MoES and reports to the Permanent Secretary of the MoES. Other reforms within the *Skilling Uganda* strategy have by and large been stalled due to a lack of funding.

24. **At the national level, skills development and training are gearing towards the emerging needs.** The Ministry of Energy and Mineral Development has worked with the MoES to introduce training programs in petroleum-related fields to build national skills and expertise. These programs would help the country to build a team of trained scientists to manage and monitor oil production. In 2009, Makerere University started to offer a Bachelor of Science in Petroleum Geosciences degree; and in March 2010, the Uganda Petroleum Institute at Kigumba began offering diploma and certificate courses. The Ministry of Energy and Mineral Development has also sent students abroad for degrees in petroleum-related fields.

25. **At the local level, there is an urgent need to upgrade skills of the working population to capture emerging employment opportunities.** Uganda's National Oil and Gas Policy stress that Ugandans will benefit most from the oil and gas industry if local individuals and firms can actively participate in the sector. However, a recent report (to be published) commissioned by the main petroleum contractors in Uganda, indicates that only 15 percent of the total number of people employed in the oil and gas sector will be specialists, with 65 percent artisans/technicians and the remainder unskilled labor. While skilled jobs will be limited and not likely to be all filled immediately by people from the region, there is opportunity for employment and business development that will serve the oil sector as well as the region's traditional economic sectors in construction, agriculture, fishing, tourism and services. For example, various companies are already operating in the region as sub-contractors to the oil companies for providing food catering, security, transportation and road construction services, among others. The challenge is to train people in the region to provide immediate support for the development phase of the oil and gas sector by elevating training standards to internationally accredited levels. It is also important to build the capacity of the Petroleum Institute to deliver internationally recognized specialized training for petroleum operations and maintenance in the near future.

C. Higher Level Objectives to which the Project Contributes

26. **The project supports the World Bank Group's twin goals of reducing extreme poverty and promoting shared prosperity.** The Albertine Region is located in one of the poorest regions in Uganda with poverty rates as high as 25 percent in 2009/10. The majority of residents (about 90 percent) lives in rural areas and makes their living from subsistence agriculture. Improving accessibility of district roads will provide better access to markets and services, while upgrading the major connecting road to the region will help to reduce the cost of imports to the region, expand markets, facilitate development and create local jobs. The investments in skills will provide people from the region the opportunity to access higher levels of education and gain skills for employment opportunities. Combined these investments will facilitate poverty reduction and promote shared prosperity.

27. **The project also aligns with the Uganda Country Assistance Strategy (CAS FY11-15) which aims to support Uganda's National Development Plan (2010/11-2014/15), and Vision 2040 in selected areas.** To that end the CAS sets out three distinct strategic objectives: (i) promoting inclusive and sustainable economic growth; (ii) enhancing public infrastructure; (iii) and strengthening human capital development. A fourth cross cutting objective aims to improve good governance and value for money. The CAS Progress Report (CAS PR) completed in July 2013 highlights an emphasis on transformational operations focusing on infrastructure (including and rehabilitation of major transport corridors), agricultural productivity and access to markets, and skills development that leads to more jobs, (including developing the oil-producing region as a growth pole). This project is one of the pipeline projects identified in the CAS PR for FY2014 IDA financing. The project is in line with the Africa Regional Strategy, in particular, supporting Pillar 1 on competitiveness and employment.

II. PROJECT DEVELOPMENT OBJECTIVE(S)

A. Project Development Objectives (PDO)

To improve regional and local access to infrastructure, markets, and skills development in the Albertine Region.

B. Project Beneficiaries

28. The project will provide direct benefits to approximately 1.69 million people and indirectly benefit the entire population living in the Albertine Region estimated at 2.85 million. Upgrading the Kyenjojo-Kigumba road will improve access to markets, a reduction in public transport costs and time savings, road safety, access to social services and the potential for induced development that will boost local economies. It will directly benefit the population living in Hoima, Kibaale and Kyenjojo Districts estimated at 1.5[9] million people. It is expected that during construction, local people will benefit from employment opportunities working on the road sites or various economic activities such as support services. Benefits will accrue to improved international connections to the north and south.

[9] Estimate based on Uganda Bureau of Census project population for 2013.

29. Planning and investing in local infrastructure will provide benefits to the population living in the Districts of Hoima, and Buliisa, including rural and urban areas. Direct and indirect beneficiaries under this component are approximately 650,000[10] people including approximately 570,000 in Hoima District and 80,000 in the Buliisa District and Town[11]. Of these beneficiaries approximately 200,000 fall below the poverty line. Direct beneficiaries from the upgrading of district roads and other infrastructure is estimated at 450,000. The heavy focus on district roads in Hoima and Buliisa districts is to benefit the majority rural population so that they have better access to infrastructure, markets and services. The project will aim to improve the majority of the rural road network to become all season by prioritizing repair and provision of bridges, culverts and raising critical road sections. In addition, the types of economic infrastructure, including fish landings, markets, storage facilities and slaughterhouses, are selected to benefit the majority farming and fishing communities who earn their living primarily in agriculture. Planning will focus on the planning of market centers around expected growth areas and will benefit the long term development of the region.

30. The project will also provide benefits to trainees attending the target technical and vocational institutes - the Uganda Technical College in Kichwamba (UTC) and Uganda Petroleum Institute in Kigumba (UPIK) - part of the Masindi district; and a new training Institute to be developed in the Nwoya district. While UPIK currently enrolls about 60 trainees per year, the goal is to enroll 150 trainees per year, in the targeted trades, by 2017. UTC Kichwamba currently enrolls 550 trainees per year and the project will support training of an additional 150 trainees per year in the target trades by 2017. It also provides general benefits to people from the region as a whole with approximately 600 bursaries to undertake training in construction, agro-processing/agri-business, tourism and nursing. Efforts to increase female enrollments, which currently make-up only 25 percent of public BTVET trainees will be made. In addition, the planned institute in Nwoya will provide additional training opportunities and increased BTVET capacity in the region. A feasibility study will be undertaken to determine the type of institute to be developed in Nwoya and the beneficiary population.

C. PDO Level Results Indicators

31. The PDO level indicators will include the following:

- Average travel time between Kyenjojo and Kabwoya for large vehicles/public transport (Hours);
- Share of rural population with access to an all-season road in Buliisa and Hoima districts (Percentage);
- Number of rural people with access to an all-season road in Buliisa and Hoima districts (Number);
- Percentage of training graduates who are employed or self-employed after six months of completing training in supported programs (Percentage); and
- Direct project beneficiaries (Number) (of which female).

[10] Estimate based on Uganda Bureau of Census project population for 2013.
[11] Hoima District, Buliisa District and Buliisa Town are respectively under the jurisdiction of Hoima District Local Government (DLG), Buliisa District Local Government and Buliisa Town Council.

III. PROJECT DESCRIPTION

A. Project Components

Component 1 - Regional Access and Connectivity (IDA financing US$95.00 Million; GoU financing US$6.89 Million GoU equivalent)

32. This component aims to improve overall accessibility to the Albertine Region, reduce travel times and improve access to markets and services. It will finance the upgrading of an approximately 100 km stretch of road from Kyenjojo to Kabwoya which forms part of the 238 kilometer Kyenjojo-Hoima-Masindi–Kigumba road connecting the districts of Kyenjojo, Kibaale, Hoima, Masindi and Kiryandongo in Western Uganda. The work will entail upgrading of the existing unpaved gravel road to a paved Class II (bitumen) standard road. The component will also finance the costs associated with construction supervision and individual consultants to support the Uganda National Roads Authority in the oversight of the component.

33. The remaining stretch from Kabwoya to Kigumba is being financed by the African Development Bank (AfDB) under their Road Sector Support Project. The two projects are well-timed and there will be close coordination on implementation to ensure consistency (see Figure 2-1 in Annex 2).

34. The Kyenjojo-Hoima-Masindi-Kigumba corridor forms the backbone of the Albertine Region. There are a number of rural towns and trading centers with considerable populations living along the road and is the main route connecting the urban centers of Kyenjojo, Hoima and Masindi. The road is also a strategic international route in western Uganda, connecting between countries to the southeast of Uganda such as Rwanda, the Democratic Republic of Congo and Zambia, to countries in the northeast such as Sudan. In addition, 43 percent of oil products from the proposed refinery in the region will be transported along the road. It is therefore strategically important for opening access to the region, its major economic and social centers and for the long-term development of the region and its key economic sectors.

Component 2 – Local Access, Planning and Development (IDA financing US$25.00 Million equivalent)

35. This component aims to increase rural accessibility to markets and services, prepare selected key urban centers for growth and provide economic infrastructure targeted to key sectors in the region. The component will finance physical planning and infrastructure development in three areas: (i) Hoima District, (ii) Buliisa District, and (iii) Buliisa Town. Infrastructure will have a focused scope for greater social and economic impact and supports: (i) *roads* – with a focus on improvements or repairs of district roads and some urban roads, and (ii) *local economic infrastructure* – markets, fish landing sites, storage facilities and slaughterhouses. Physical planning will focus on key urban centers which are expected to capitalize on growth from the oil development and likely to contribute to the future development of the region. In addition, a regional strategic plan will be prepared which will outline future development strategies and potentially inform any follow-on operations. Also financed under this component will be consultant services to support implementation, engineering design and

supervision and technical assistance.

36. *Physical Planning.* This sub-component will finance the development or refinement of physical development plans for eight key urban centers[12] in the three local areas, and provide some capacity building support to local councils to facilitate the implementation of the plans. In addition, a regional strategic plan will be included which will highlight development strategies for the region and could inform a potential follow-on operation to the proposed project. These complement a larger umbrella of physical planning and implementation activities being undertaken by GoU. At the regional level, the MoLHUD is currently developing the regional physical development plan (funded by DFID) covering a total of 25 districts[13] in the broader Albertine Region, which will be completed in 2014. At the local level, the eight key urban centers are part of a series of selected growth centers within the region slated to have physical development plans prepared. These centers anticipate growth from the oil development and from the proximity to a planned refinery. They were also chosen as they are likely to contribute to the future development of the region and will benefit from the on-going regional physical development plan (refer to Annex 2 for details on the key urban centers selected and rationale for doing so).

37. *Local Infrastructure.* This sub-component will support the design, construction and supervision of two main types of infrastructure: (i) *roads* – with a focus on improvements or repairs[14] of district roads and some urban roads (limited to Buliisa Town), and (ii) *local economic infrastructure* - markets, fish landing sites, storage facilities and slaughterhouses. The preliminary long list of infrastructure sub-projects provides estimates of project beneficiaries, infrastructure typologies potential users and were selected from existing plans and identified through numerous consultations with both the local and central governments. The sub-projects identified are aligned with the Five-Year Development Plans of the selected local governments. The focused investment menu ensures greater impact considering the modest resources available and was a result of discussion with GoU. These types of investments were selected based on four prioritization principles: (i) consistency with local government development priorities; (ii) supportive of employment creation; (iii) complementarity with other project components; and (iv) complementarity with projects financed from other sources. In addition, investments in roads focus on resolving bottlenecks due to its higher economic benefits and limited maintenance requirements.

38. *Technical Assistance and Oversight.* Relevant consultant costs associated with detailed design and supervision, oversight and capacity strengthening for the MoLHUD, and the local governments to implement the project will be included under this sub-component. In addition, this will support the incremental operational cost of the Project Support Team (PST) under the MoLHUD.

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[12] The eight centers are: in Buliisa District Local Government: Wanseko and Biiso; and in Hoima District Local Government: Kigorobya, Kiziramfumbi, Kyangwali, Kabwoya, Butema and Kyarushesha.

[13] These 22 Districts are a broader geographic grouping than the project districts. This project directly impacts nine which include Nebbi, Nwoya, Buliisa, Masindi, Hoima, Kibaale, Kyenjojo, Kabarole, Ntoroko.

[14] Improvements and repairs aim to make the district roads motorable all year round by addressing the principle bottlenecks of access and will focus on repair and provision of bridges, culverts and raising of critical road sections in the project area.

Component 3 – Skills Access and Upgrading (IDA financing US$25.00 Million equivalent; GoU financing US$2.00 Million equivalent)

39. This component is designed to upgrade BTVET quality in the oil and gas sector, make it more in line with private sector demands, and provide greater access to the BTVET system to people living in the Albertine Region. This component will finance the upgrading of selected institutes which support the objectives of the *Skilling Uganda Strategy*, including UPIK and UTC and a new third institute in Nwoya district, including, *inter alia*, physical infrastructure, goods, curricula development and instructor training. The institutes to be supported are expected to provide a regional benefit by focusing on skills most required for regional employment opportunities and following the *Skilling Uganda Strategy* for centers of excellence. The project will establish institutional and management mechanisms for the administration and monitoring and evaluation of the bursaries program with GoU counterpart funding of US$2.0 million.

40. The component will finance civil works, equipment and associated facilities for the upgrading of the selected institutes. It will also finance the costs associated with improving curriculum, testing and trainer competencies to internationally accredited levels to ensure that training standards improve to those required by private sector employers. UPIK will focus on training specialized technicians for the petroleum industry (petroleum operations, mechanical maintenance, electrical maintenance, and instrumentation) for the emerging petroleum industry, while UTC Kichwamba would focus on training of artisans and craftsmen in construction (carpentry and joinery, bricklaying, plumbing, electrical installation, scaffolding, welding and fabrication) which will support the development phase for the oil and gas sector. Even after the development phase, it is envisioned that there will still be a large demand for construction workers as the government uses the oil revenues to invest in infrastructure such as schools, hospitals, roads etc. An assessment and appraisal for establishing a new training institute in Nwoya District will be conducted during project implementation and would determine, *inter alia*, its target population, sector focus, curriculum, physical and equipment specifications, financial and staffing requirements.

41. The component will also support the development of institutional mechanisms for collaboration with the private sector in skills training programs in the Albertine Region, This would include technical assistance, studies, training, and equipment for the Reform Task Force (RTF) Oil & Gas (O&G) committee aimed at establishing a platform for engaging private and public sectors to support skills development, set standards and establish priorities in the region and oil and gas sector. Salaries of staff will be financed by the GoU.

42. While the targeted institutions will require two to three years of management, technical and administrative reforms to yield results with respect to developing quality and demand-responsive skills for the labor market, a bursaries program will seek to address the short-term skills needs of the Region during the development phase of the oil production. These are portable skills that can be used in other sectors throughout the country. Low-income groups tend not to participate in BTVET training because of expensive fees and the high opportunity costs related to long training durations. The government will finance bursaries for approximately 600 trainees from the Region for an estimated amount of US$2 million equivalent to undergo skills training in the foremost institutes in the country on construction, agro-processing, tourism and nursing. IDA

will support MoES to establish the institutional arrangements for the administration, monitoring and evaluation of the bursaries program. The training courses will range from six months to two years in duration, with the exception of nursing courses which can go up to 2.5 years. Females will be given preference for the bursaries since they only constitute about 25 percent of enrollment within public BTVET institutes currently. In UTC Kichwamba, females constitute only 10 percent of enrollments. While UPIK and UTC Kichwamba only accept trainees who have completed at least O levels (lower secondary), the bursaries will also be open to trainees who have craft 1 or craft 2 technical certificates, or Uganda Vocational Qualifications Framework (UVQF) level 1 or level 2 certificates. The principles for operation of the bursaries sub-component are detailed in Annex 2.

B. Project Financing

43. The proposed lending instrument is Investment Project Financing (IPF), comprising an IDA Credit of US$145 million equivalent and a US$8.89 million contribution from the Government of Uganda, to be implemented over a period of five years. Out of the US$8.89 million co-funding from GoU, an estimated US$6.89 million will be for Resettlement Action Plan (RAP) costs associated with Component 1 and US$2.00 million will support the bursaries under Component 3. The IPF instrument was selected in view of its flexibility and suitability for financing a broad range of activities. The credit will include retroactive financing of up to US$29.0 million.

Project Cost and Financing

Table 1: Project Costs and Financing

Project Components	**Total cost (US$ million)**	**GoU (US$ million)**	**IDA (US$ million)**	**% of Total Financing**
1. Regional Access and Connectivity	101.89	6.89	95.00	66
2. Local Access, Planning and Development	25.00	0.00	25.00	16
3. Skills Access and Upgrading	27.00	2.00	25.00	18
Total Financing Required	153.89	8.89	145.00	100

C. Series of Project Objective and Phases

44. NA

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

45. The Ministry of Finance, Planning and Economic Development *(*MoFPED*)* will be responsible for overall oversight of the project. A Project Steering Committee (PSC) will be established with all key Ministries which will be responsible for providing policy direction to the project technical committee. It will be chaired by MoFPED and will include representatives of

Office of the Prime Minister (Bunyoro Affairs), MoLHUD, MOES, MoLG, and UNRA. The PSC will meet annually to apprise key stakeholders of critical policy decision affecting the Albertine Region. A Project Technical Committee (PTC) will also be established comprised of the Project Coordinators of each of the three components and the MoLG, MoFPED and Office of the Prime Minister (Bunyoro Affairs). The PTC will meet on a quarterly basis to review implementation progress between all components, address any technical and implementation issues and provide overall monitoring of the project's development objective. The PTC will be chaired by the Office of the Prime Minister (Bunyoro Affairs) who will provide overall coordination support for the Committee.

46. Component 1 will be implemented by the Uganda National Roads Authority (UNRA). UNRA will implement the project fully "mainstreamed" which means that it will work through its existing systems which have been developed with support from previous and ongoing IDA Credits. UNRA and MoFPED will sign a Subsidiary Agreement to allow UNRA to manage the necessary funds for the implementation of Component 1. The agreement will be included in the Project Operations Manual.

47. For Component 2, the Ministry of Lands, Housing and Urban Development (MoLHUD) will be responsible for its overall management and coordination. For efficiency and better economies of scale, it will manage centrally the procurement, design and implementation of Component 2 activities (including planning, roads and economic infrastructure) in close collaboration with the Ministry of Local Government (MoLG) and the participating Local Governments. However, during the mid-term review, it will be assessed to see if the local governments have sufficient capacity to directly implement and procure the economic infrastructure sub-projects. Clear roles and responsibilities of the MoLG in support of Component 2 will be detailed in the Project Operations Manual (POM). Essentially, MoLG will carry out its mandate to the LGs per current legislation, and any specific roles pertaining to the project. These would include: (i) being a member of the Project Steering Committee and the Project Technical Committee, (ii) support to LGs on monitoring and evaluation, and (iii) potentially provide greater capacity development and support to LGs if it is decided during the MTR that the economic infrastructure implementation should be devolved to LGs.

48. Project implementation for Component 3 will be mainstreamed in the Ministry of Education and Sports (MoES) using existing institutional establishments. The overall responsibility for project implementation lies with the Permanent Secretary, with coordination under the purview of the Department of Planning. Specific aspects of the component will be implemented directly by the RTF oil and gas committee, the Department of BTVET and the UPIK. The bursary sub-component will be overseen by a Bursary Scheme Task Force (comprising of representatives of the MoES, Ministry of Agriculture, Animal Industry and Fisheries (MAAIF), Ministry of Trade, Tourism and Industry, the RTF oil and gas committee, Office of the Prime Minister (Bunyoro Affairs), and other private sector representatives. The bursary sub-component will be administered by MoES. The MoES will hire a full time deputy coordinator to support the Project Coordinator to coordinate activities under this component.

B. Results Monitoring and Evaluation

49. Annex 1 provides the detailed Results Framework of the overall project. The respective component implementation agencies will also be responsible for the monitoring and evaluation of each of the components - Component 1: UNRA; Component 2: MoLHUD; and Component 3: MoES.

50. **Project Monitoring Arrangements.** Each implementing entity will prepare quarterly reports for their respective components. These will be reviewed on a quarterly basis by the PTC which will prepare consolidated quarterly progress reports, in accordance with a format outlined in the POM. The purpose of these reports will be to provide GoU and the World Bank with timely and updated information on implementation of project components, highlighting issues and problems. The progress reports will cover, *inter alia*: (i) physical progress achieved against agreed implementation and disbursement indicators; (ii) issues and problem areas, including comments on actions to address identified problems; and, (iii) work programs and cost estimates for the coming quarter, including revised estimates for the current quarter. A mid-term review of the project will be carried out no later than December 2016 to review overall progress and take necessary actions for restructuring the project, if appropriate.

C. Sustainability

51. Adequate and regular maintenance of the infrastructure investments of the Project will be important to their sustainability. The World Bank has been working with the GoU to develop a national system for regular road maintenance from which the project and especially the Kyenjojo-Kabwoya road will benefit. Similarly, the investment in the districts will depend on regular maintenance by the district governments and the adequate funding for that maintenance. To that end, district roads will focus primarily on fixing bottlenecks rather than full re-gravelling of district roads to bring higher returns and to reduce maintenance costs. The focus on planning will also allow for a longer-term, properly planned vision for sustainable development of the region.

52. For Component 3, the targeted institutions will be supported to develop sustainable financing plans through a combination of government finances, learner fees and private fee-for-service arrangements. While the bursary program will be primarily financed by the GoU to play a crucial role in supporting the short-term skills requirements for the development phase of oil production. The project will build the capacity of the MoES to administer bursary programs in order to continue to support disadvantaged communities to access skills training.

53. Sustainability of the project is further enhanced by its complementarity with other on-going initiatives that will impact the Albertine Region as discussed earlier. These efforts surround the development, impacts and challenges of the oil sector as well as related sectors on local businesses, tourism, agriculture and environment.

V. KEY RISKS AND MITIGATION MEASURES

A. Risk Ratings Summary Table

Table 2: Risk Ratings

Risk Category	**Rating**
Stakeholder Risk	**Substantial**
Implementing Agency Risk	
- Capacity	**Substantial**
- Governance	**Substantial**
Project Risk	
- Design	**Substantial**
- Social and Environmental	**Moderate**
- Program and Donor	**Moderate**
- Delivery Monitoring and Sustainability	**Moderate**
Overall Implementation Risk	**Substantial**

B. Overall Risk Rating Explanation

54. The overall implementation risk is Substantial based on challenges associated with country context, governance, and current level of development in the oil region of the country. The discovery of oil has already created high expectations, and the multi-sector nature of the project and the potentially complex institutional arrangements could pose further challenges. This is particularly the case as the implementing agency capacity and governance risks are deemed Substantial primarily as a result of weaknesses with the MoES and BTVET sector in particular. The design risks are also Substantial due to the multi-sector nature of the project.

55. The project has taken measures to mitigate these risks by establishing a Steering Committee to ensure that the overall project is consistent with GoU objectives to provide economic opportunities in the Albertine Region in line with local needs, and to create greater synergy between the components— while also enabling each component to be implemented independently by the respective agency thus reducing possible delays. The project design also addresses weaknesses in the implementing agency capacity (especially of local governments and of the BTVET sector). UNRA has a strong track record of implementation and is taking additional measures to improve internal audit and procurement processes with World Bank support. It has already taken steps to mitigate the risk of delays by advancing the procurement of activities in Component 1, which represents 70 percent of the total project cost. Finally, the risks are mitigated by linking each components to broader sector reforms and projects (such as Uganda Support to Municipal Infrastructure Development Project (USMID)), as well as by de-linking activities from the broader oil sector development program.

VI. APPRAISAL SUMMARY

A. Economic and Financial Analysis

56. An economic analysis was undertaken for two alternative design standards for Component 1:

- Alternative A: Double Bituminous Surface Treatment (DBST) on 200mm crushed stone base course, 150mm mechanically stabilized sub-base and 150mm natural gravel sub grade.
- Alternative B: 50mm Asphalt Concrete (AC) on 200mm crushed stone base course, 150mm mechanically stabilized sub-base and 150mm natural gravel sub grade.

57. **Base case scenario.** For Alternative A (DBST), the EIRR was estimated at 17.9 percent and the ENPV at US$26.7 million. For Alternative B (asphalt concrete), the EIRR was estimated at 15.1 percent and the ENPV at US$16.7 million. This means that the project is deemed economically feasible for both alternatives. Because the net economic benefits of Alternative A were highest, this alternative was selected by the Government of Uganda as the preferred design option.

58. **Sensitivity analysis.** Sensitivity tests were conducted to assess the impact of unfavorable changes to key parameters on the economic feasibility of the subproject. The following changes were considered:

- lower than expected traffic volumes,
- higher than expected investment costs, and
- combinations of the above.

59. Alternative A would remain economically feasible with 20 percent higher construction costs, 20 lower traffic volumes, and a combination of a 10 percent higher construction cost and a 10 percent lower traffic volume. Only a worst-case scenario with a 20 percent higher construction cost and a 20 percent lower traffic volume would cause the EIRR of the subproject to drop below the minimum required rate of 12 percent. Alternative B is more sensitive to unfavorable changes to key parameters. It would not be feasible if traffic volumes would be lower than expected, or at combinations of reduced traffic volumes and increased construction cost of 10 percent or more. For three reasons, it was considered highly unlikely that the economic costs of the subproject would outweigh the economic benefits:

- the estimated cost of the preferred design option (DBST) included a substantial allowance for physical contingencies (10 percent of the engineer's base cost) and price contingencies (20 percent of the base cost including physical contingencies);
- the estimation of "base case" economic benefits was based on conservative increases in traffic volumes; and
- the EIRRs do not capture the potentially substantial second-order benefits arising from reductions in local price levels that the subproject is likely to cause.

Table 3: Sensitivity of Subproject EIRR to Unfavorable Changes in Key Parameters

Case	Change from Base Case	EIRR (%)*	
		Alternative A (DBST)	Alternative B (AC)
Base case	**–**	**17.6**	**14.5**
Unfavorable Changes			
Construction cost	+10%	16.4	13.4
Construction cost	+20%	15.4	12.5
Traffic volume	-10%	14.9	12.2
Traffic volume	-20%	12.2	9.7
Construction cost and traffic volume	+/-10%	13.8	11.3
Construction cost and traffic volume	+/-20%	10.4	8.2

Source: UNRA estimates
* Areas shaded in grey indicate EIRRs below the minimum required value of 12 percent.

60. No *ex ante* economic analysis was conducted for Component 2. However, the types of infrastructure sub-projects – roads and economic infrastructure – were selected based on four prioritization principles: (i) consistency with local government development priorities; (ii) supportive of employment creation; (iii) complementarity with other project components; and (iv) complementarity with projects financed from other sources. In addition, investments in roads focus on resolving bottlenecks due to its higher economic benefits and limited maintenance requirements.

61. The selection of Component 2 sub-projects will be finalized and the potential economic benefits quantified during the first year of Project implementation. A process has been developed to shortlist and to rank the investments from the long-list provided by the local governments. The sub-projects will be prioritized based on four selection principles: (i) development priority of local council amongst supported investment categories; (ii) rehabilitation projects prioritized over new projects; (iii) possess existing connection to national roads; and (iv) lower cost per poor person served. In addition, the total costs for all sub-projects selected within a given local council should conform within its given investment envelope. (Refer to Annex 3 for details.)

62. This selection process will ensure that the chosen sub-projects will yield the highest returns. Benefits from this component are expected to provide better access to local and regional markets, particularly for farmers and fisherman which are the main livelihoods in the region. The construction and maintenance work will also provide income generating jobs to the local people. The upgrading of economic infrastructure and district roads could play a catalytic role in improving livelihoods and reducing poverty of the local people, especially when linked to improved regional access (Component 1).

63. The cost-benefit analysis of Component 3 focuses on economic costs and benefits. Economic costs include total component cost (excluding cost for technical assistance) and private cost (school registration fees, uniforms and sport clothes, books and school supplies, costs to and from school, boarding fees and other expenses). Benefits of Component 3 are

converted into economic value of wage premium of graduates of technical institutions. The main sources of data used in the analysis come from UNPS 2009/10. This component includes capacity building which makes it unquantifiable for standard cost-benefit analysis (including calculation of a net present value and internal rate of return). In particular, as described in the main section of the document, Component 3 aims to strengthen the capacity such as skills coordination with private sector and institute needs assessment in Albertine Region). Therefore, although the benefit of some activities under Component 3 is not quantifiable in monetary terms, it will have tangible value added for the sustainability of the project.

64. Based on the discount rate of 11.5 percent for the benefits and costs stream mentioned above, the present value of costs is UGX 39.3 billion (US$15,930,279) and the present value of benefits is UGX 67.1 billion (US$27,199,027). The IRR associated with this NPV is 15.5 percent.

65. *Sensitivity Analysis.* A sensitivity analysis is also carried out under some scenarios. The project assumes that some students drop out from the training and will not benefit fully from the project intervention by following scenarios: (a) 5 percent drop out from UPIK/UTC[15]; (b) 15 percent drop out from UPIK/UTC; (c) 5 percent drop out of students who received bursaries; d) 15 percent drop out of students who receive bursaries; (e) 5 percent dropout from UPIK/UTC and students who receive bursaries; and (f) 15 percent dropout from UPIK/UTC and students who receive bursaries. As indicated in Table 1C-3, the NPV varies between UGX 16.9 billion and UGX 27.8 billion. Similarly, the IRR ranges from 14.1 percent in the pessimistic scenario to 15.5 in base scenario.

66. These results suggest that the Component 3 is expected to yield economic returns and account for other potential benefits including the social benefits of education. See Annex 5 for details.

67. The investments to be financed under the project are primarily of a public goods nature with the provision of roads and other infrastructure to be located in one of the poorest regions of the country. Investments in BTVET are consistent with the GoU's Skilling Uganda Strategy which, among other things, aims to develop public sector BTVET centers of excellence. The targeting of busaries to people living in the Albertine Region is part of a government strategy to bring benefits directly to the people of the region. There is therefore a strong rationale for public investment in these services. The Bank brings value added in: (i) using its convening power to bring together a multi-sector approach to a development challenge; (ii) leveraging its long-term engagement to the transport sector, primarily roads, and in local government development; and (iii) in providing technical support in the implementation of the Skilling Uganda strategy.

B. Technical

68. A large part of the civil works and consulting services categories of project expenditures under Components 1 and 2 will be used for: (i) the upgrading and rehabilitation of the Kyenjojo-Kabwoya road; (ii) repair and provision of bridges, culverts, swamp crossings and raising of critical road sections in the project area to make the district roads passable all year round; and

[15] Appraisal of the third institute would be undertaken during project implementation.

(iii) upgrading roads in Buliisa Town. It will also finance some limited economic infrastructure such as the upgrading or construction of markets, fish landing sites, storage facilities and slaughterhouses.

69. UNRA has prepared detailed engineering reports for the Kyenjojo-Kabwoya road with support of international consultants using Ugandan National Road Design Standards and Specifications and international best practices. For construction supervision, UNRA is recruiting international consultants and will encourage new staff to work as counterparts with these consultants.

70. MoLHUD and MoLG have engaged the local governments and identified a long list of potential sub-projects for Component 2. Identification of priority projects to be implemented will be carried out in the first year of project implementation based on the selection criteria and process developed. MoLHUD is in the process of selecting a consulting firm to carry out: (i) an assessment of the critical bottlenecks in the district roads network and prepare designs to improve the identified areas; (ii) prioritization and ranking of economic infrastructure sub-projects; (iii) feasibility and detailed design for upgrading roads and construction of the economic infrastructure in selected towns; and (iv) supervision of construction works. The consultant is expected to be on board in September 2014 and physical works are scheduled to commence in 2015. MoLHUD is also in the process of selecting a consulting firm to conduct the physical development planning for the 8 key urban centers. These physical development plans shall assist to inform the location and development of economic infrastructure sub-projects, where relevant and generally guide future development of these centers.

71. The skills component was prepared using the *Skilling Uganda strategy* which is the GoU's official strategy for reforming the BTVET sector. *Skilling Uganda* provides the basis for the component design overall. In addition, international consultants were engaged to undertake specific assessment of the strengths and weaknesses of the Uganda Technical College at Kichwamba and the Uganda Petroleum Institute at Kigumba. These assessments lay out the strategies and timelines that will be followed to improve training curricula, upgrade the quality of instruction and instructors and the upgrading of facilities and equipment that will be supported under the component. An assessment will also be carried out for the establishment of a new training institute in Nwoya District during implementation.

C. Financial Management

72. The financial management (FM) assessment was carried out in accordance with the Financial Management Practices Manual issued by the Financial Management Sector Board on March 1, 2010. The project will be implemented under the existing financial management arrangements of the ongoing Bank financed projects at UNRA (Transport Sector Development Project), MoLHUD (Uganda Support to Municipal Infrastructure Development Project) and MoES (Uganda Post Primary Education and Training). The Permanent Secretary MoLHUD and MoES, Executive Director of UNRA will be the "Accounting Officers" for the project components implemented by their entities assuming the overall responsibility for accounting for the project funds. Each of the implementing entities will open a Designated Account in the Bank of Uganda. Daily accounting operations will be conducted by the designated project accountants

under the supervision of Director Finance and Administration for UNRA and respective Heads of Accounts for the MoLHUD and MoES.

73. The Ministries' accounting system is documented in the Public Finance and Accountability Act, 2003 and Treasury Accounting Instructions 2003 while UNRA has the Financial Management Manual (FMM) which is being updated. In addition the POM will be updated with financial management arrangements specific to the Bank projects. UNRA is using Pastel Partner 2007 Version accounting software which is currently inadequate resulting in several manual interventions and very weak internal controls of Pastel. The system will be upgraded within 6 months after the project effectiveness. The Ministries are using Integrated Financial Management System (IFMIS) which has some limitations especially in report generation for the Bank. The project exports the IFMIS data to excel to generate reports for the Bank. The Ministries and UNRA will submit quarterly interim financial reports (IFR) in an acceptable format to the Bank within 45 days after the end of each calendar quarter. On the ongoing projects, the Ministries and UNRA have been submitting acceptable IFRs within the submission deadline of 45 days after the end of the quarter.

74. The Ministries have qualified and experienced internal auditors from Internal Audit Department of MoFPED who will incorporate the project into the internal audit work plan. UNRA has an internal audit directorate headed by a Director with staffing gaps. The recruitment of two technical internal auditors and one for the financial auditor is in the final phase. Audit reviews and audit committee meetings are not conducted quarterly as required due to financial constraints. UNRA will ensure adequate financial resources are provided for the Internal Audit Directorate to carry out its reviews as per the approved work plan and budget. There are also material management delays in responding and taking action on audit reports. UNRA has procured the services of a firm to conduct technical audits, develop a technical audit manual and also train the technical internal auditors. The ministries and UNRA will be required to conduct semiannual internal audit reviews and have the report submitted to the Bank within 45 days after the end of each semester.

75. Each of the three implementing entities will have separate audit reports. The Auditor General is primarily responsible for the auditing the project. The audit will be in accordance with International Standards on Auditing. The ToRs for the external audit have been agreed between the Bank and the Ministries and UNRA. The audit reports for the three entities will be required to be submitted to the Bank within six (6) months after the end of each FY. The June 30, 2012 entity audit report for MoES was qualified due to unaccounted for funds, mischarge of expenditure, advance of activity funds to personal accounts and dormant accounts. The June 30, 2013 audit report for the Transport Sector Development Project (TSDP) under UNRA was unqualified. Key weaknesses reported in the Management Letter include inter project borrowings and lack of receipts for withholding tax paid to UNRA. The June 30, 2012 Entity audit report for UNRA was qualified due to overpayment to contractors and theft of UNRA funds. Other weaknesses reported in the entity audit report included inter project/account borrowing, variation of basis of Variation of Price (VOP), delays in completion of works and cost overruns, excess payment to contractors, diversion of funds, inadequate budgets, premature failure of pavement layers on some roads, irregular payments and non-deduction of liquidated damages and delayed payments of contractors certificates. Mitigation measures have been built in the project design to

address these weaknesses noted in the project and entity report. These include having detailed feasibility studies, a ring fenced budget for the project, upgrade of the accounting system to include inbuilt internal controls, recruitment of technical auditors, regular performance and financial audits. The June 30, 2012 entity report for MoLHUD was unqualified.

D. Procurement

76. Procurement under the project will be conducted by the Uganda National Road Authority for Component 1, the Ministry of Lands Housing and Urban Development for component 2 and the Ministry of Education and Sport for Component 3 and will follow the *Guidelines: Procurement under IBRD Loans and IDA Credits* dated January 2011; *Guidelines: Selection and Employment of Consultants by World Bank Borrowers* dated January 2011; *and Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants,* dated October 15, 2006 and revised in January 2011. .

77. The main risks to procurement under UNRA are (i) delayed procurement and contract implementation due to lack of adequate procurement and technical staff to support procurement and contract administration, (ii) lack of bidder confidence resulting in several complaints being raised that in turn delay procurement further, (iii) lack of transparency during evaluation manifested by leakage of confidential information and non-adherence to bid evaluation criteria, (iv) rising costs due to delayed processing of claims and variations and delays in payments to contractors. UNRA's capacity in procurement and contract management is being strengthened under the ongoing Transport Sector Development Project through the following which will also apply under the project (i) the use of the Independent Parallel Bid Evaluation to reduce fraud and increase bidder confidence, (ii) implementation of a red flag contract management system and (iii) strengthening of the Procurement Unit including its upgrade to a Directorate. A Contracts manager will additionally be hired under this project to support the technical departments in contracts administration.

78. The key risks to procurement under the Ministry of Education are (i) major delays in procurement due to lack of adequate staff with appropriate experience in procurement in both the procurement and technical departments, (ii) weak interdepartmental coordination which exacerbates these delays, (iii) major weaknesses on contract administration resulting in cost escalations, delayed or incomplete deliveries and substandard deliveries, (iv) high costs as a result of delays in payments to providers. These will be mitigated through (i) hiring additional staff in the procurement and project management prior to disbursement under component 3, (ii) training in procurement and contract administration, (iii) establishing a contract management and reporting system including independent verification of quality, timeliness and completeness of delivery.

79. Under the Ministry of Lands, the Project Support Team (PST) established under the USMID will be responsible for procurement and contract management. The PST has been staffed with expertise in Procurement, Engineering and Financial management and these have experience in implementing project procurement. The key risks are (i) delays in procurement due to inadequate monitoring and the lack of adequate technical staff to support procurement and contract management, (ii) low bidder participation due to fragmentation of contracts. This will be

mitigated by: (i) establishment of a procurement monitoring system, (ii) hiring of an additional civil engineer in the PST, and (iii) consolidation of procurements across districts.

E. Social (including Safeguards)

80. The project triggers Operational Policy (OP) 4.12 for all the three components which will involve acquisition of land. The upgrading of the approximately 100 kilometer stretch of road from Kyenjojo to Kabwoya (Component 1) will require land for road re-alignment, borrow-pit areas, workers camps, equipment storage areas and quarry sites which may have substantial social impacts. For provision of priority economic infrastructure (Component 2) in districts and towns and upgrading the quality of and construction of technical, vocational education and training institutions (Component 3), the land acquisition will be limited to site specific civil works for rehabilitation or construction of the infrastructure in the selected local government areas and education institutions in the Albertine Region.

81. A Resettlement Action Plan (RAP) was prepared for the 100 kilometer stretch of road from Kyenjojo to Kabwoya, to mitigate the land acquisition which is the most significant impact of this component. A program of resettlement and compensation of affected persons is scheduled and costed in the RAP. Mitigation includes proper compensation for buildings and crops to the Project Affected Persons (PAPs) as well as addressing grievances that may result from the implementation of the RAP. The RAP will be implemented before the relevant civil works are initiated. The RAP has been disclosed both in-country and at the Bank's Infoshop on January 30,2014 and January 31, 2014 respectively. The GoU has committed a total of around UGX 17 Billion (US$6,890,960) for the implementation of RAP for the entire 238km of road. These funds are reflected in the 2014/2015 UNRA budget for implementation of this RAP.

82. For Component 2 – Local Access, Planning and Development, which will be providing priority infrastructure provision in districts and towns; and Component 3 – Skill Access and Upgrading: which focuses on skills upgrading and in particular the upgrading/construction of targeted institutions, a Resettlement Policy Framework (RPF) has been prepared which specifies the processes for preparing, reviewing, approving and implementing subsequent RAPs for the project before the relevant civil works are initiated. An RPF which was consulted upon with a broad range of stakeholders both in the region and within the relevant GoU ministries and institutions was prepared and was disclosed in-country on January 19, 2014. The RPF was disclosed in the Bank's InfoShop on February 5, 2014.

83. *HIV/AIDS*: Road/building construction works related HIV/AIDS impacts associated with contractors' camps during construction stages of the projects is addressed within the sector strategy. The GoU implementing agencies will integrate the mitigation of HIV/AIDS within the procurement process in contracts through provision of an action plan to be implemented by contractors.

84. *Implementation capacity*: The overall responsibility of coordination and oversight is by the MoFPED. However, the specific responsibility to implement social issues including safeguard rests with all the three key agencies responsible for each component namely: (i) UNRA will be responsible for Component 1 – Regional Access and Connectivity;

(ii) MoLHUD will be responsible for Component 2 – Local Access, Planning and Development; and (iii) MoES will be responsible for Component 3 – Skill Access and Upgrading. All RAP implementation activities within each component will therefore be managed by UNRA, MoLHUD and MoES. These agencies are expected to have the technical and institutional capacity to coordinate, supervise/monitor implementation and report on RAP implementation through the PSC. Apart from UNRA, which have a fully-fledged Safeguards Unit comprising a Sociologist, Land Acquisition Officer, and a Right of Way – Specialist; MoLHUD and MoES have very limited relevant social development resources. It is recommended that all agencies increase the quality and quantity of the social development resources as follows: (i) UNRA is recommended to hire an additional Sociologist/Social Scientist and Right of Way officer to be based in the UNRA station in the Albertine Region – i.e. in its regional Office in Hoima to improve on field implementation and monitoring; (ii) MoLHUD; and (iii) MoES will hire Social Development Experts on a retainer basis to strengthen the agency capacity and support the periodical oversight on implementation, monitoring and reporting for this project and could also support other Bank funded projects. In addition, the agencies will work closely with participating Local Government staff such as the Community Development officer and Physical Planners to provide on-site field support.

F. Environment (including Safeguards)

85. The project has been assigned Environmental Assessment Category B since it involves development of existing roads and subprojects, with readily predictable environmental and social impacts. The project triggers the following Environmental Safeguard Policies: Environmental Assessment OP/BP 4.01 is triggered because the program will support investments with potential adverse environmental impacts; Natural Habitats OP/BP 4.04 is triggered because the Albertine rift area includes a number of protected areas and other natural habitats (large national parks, forest reserves, wetlands, Lake Albert), which may potentially be affected; Forests OP/BP 4.36 is triggered because the road improvements may have impacts on the adjacent forest reserves; and Physical Cultural Resources (PCR) OP/BP 4.11 is triggered because project investments will involve civil works and may potentially affect known physical cultural resources in the area. Mitigation measures for these potential impacts are indicated in Annex 3.

86. An Environmental and Social Impact Assessment (ESIA) was undertaken and Environmental and Social Management Plan (ESMP) prepared for Component 1 in consultation with all the respective District Local Governments, Central Ministries and Agencies and the local Communities along the road. The ESIA was disclosed in-country on May 23, 2013 and July 25, 2013 and at the Bank's InfoShop on January 28, 2014[16]. The ESIA was approved by the National Environmental Management Authority and EIA Certificate of approval was issued on January 13, 2014.

87. The most important impacts will be experienced during the construction phase and have been mainstreamed into the general design and construction plan. The major Ecosystem traversed by the road is Kagombe Central Forest Reserve for a stretch of 1.43km in Kyenjojo district. However the tree cover in the forest is low, having been degraded and the road

[16] The ESIA was first disclosed for the AfDB funded portion of the road, then again for the World Bank portion of the road. The NEMA environmental certificate was issued on January 13, 2014.

construction shall be largely restricted to the existing road alignment to minimize loss of trees in the project area. Other impacts are associated with acquisition of construction materials such as stone aggregates, murram and water. Acquisition of these materials shall be undertaken after obtaining requisite environmental and/or local approvals in consultation with the local Authorities. All quarry and excavated areas shall be progressively restored by the Contractor. Standard construction practices shall be used to ensure workers and public safety. All the identified Physical Cultural Resources shall be avoided and most notable is the *Kyokwera rocks* near Kyenjojo Town, a place of worship by the Catholic faithful. In addition a Chance Finds Procedure has also been prepared for PCRs that may be excavated during the civil and earthworks.

88. A Grievance Redress Mechanism has also been provided as part of the ESIA to handle all grievances that may arise during the road works. UNRA has an Environmental Specialist but is outweighed by the numerous projects the institution is implementing. It is therefore recommended for UNRA to recruit one more Environmental Specialist to strengthen management and monitoring of the environmental aspects of this component and other projects that are financed by the Bank.

89. Component 2 will finance the design, construction and supervision of roads and economic infrastructure in select Districts and Towns in the region while Component 3 will finance civil works and equipment for the upgrading/constructing of vocational institutions with fully equipped workshops and associated facilities. Since the specifics in terms of location/identity of sub-components to be implemented under these two components, Environmental and Social Management Framework (ESMF) was prepared in Consultation with the respective Local Governments and Central Government Agencies that have a stake in the project, directly/indirectly. The ESMF was disclosed in-country on January 19, 2014. The ESMF provides a process to assess the potential environmental and social impacts of project Components 2 and 3. The ESMF established clear guidelines and methodologies for the identification and assessment of environmental and social impacts. It gives clear guidance for environmental screening, conduct of environmental assessments, as well as preparation of Environmental and Social Management Plans (ESMPs). The ESMF also outlines a framework for managing and monitoring the environmental and social impacts of the project, including management and handling of physical cultural resources, minimizing impacts on the natural habitats, and mechanism for addressing grievances. The ultimate goal of the ESMF is to ensure that the proposed project components will be environmentally and socially sustainable. The implementing Agencies shall during implementation, undertake ESIAs and/or develop ESMPs for sub-project activities following environmental screening process and outcome as provided in the ESMF.

90. Component 2 shall be implemented by the MoLHUD, in collaboration with the MoLG and the respective local governments while Component 3 shall be implemented by the MoES. MoLHUD has in-house Environmental Specialist, whereas Ministries of Education and Local Government do not have. The District Local Governments of Hoima and Buliisa have District Environment Officers to undertake monitoring and reporting of the projects in their respective areas of jurisdiction. The Ministries of Local Government and Education and Sports are

recommended to either recruit Environmental Specialists or hire Environmental Consultants on a retainer basis to guide management of the environmental and social aspects of their projects.

Annex 1: Results Framework and Monitoring

Country: Uganda

Project Name: Uganda: Albertine Region Sustainable Development Project (P145101)

Results Framework

Project Development Objectives

PDO Statement

To improve regional and local access to infrastructure, markets, and skills development in the Albertine Region.

These results are at	Project Level

Project Development Objective Indicators

Indicator Name	Core	Unit of Measure	Baseline	Cumulative Target Values					Frequency	Data Source/ Methodology	Responsibility for Data Collection
				YR1	YR2	YR3	YR4	End Target			
Average travel time between Kyenjojo and Kabwoya for large vehicles/ public transport	☐	Hours	3.50	NA	NA	NA	NA	2.00	At beginning and end of project	Uganda National Roads Authority	Uganda National Roads Authority
Share of rural population with access to an all-season road in Buliisa and Hoima districts	☐	Percentage	40.00	40.00	50.00	60.00	65.00	70.00	Annually	Population census; Uganda Bureau of Census	Hoima and Buliisa DLGs together with Ministry of Lands, Housing and Urban Development

Number of rural people with access to an all-season road in Buliisa and Hoima districts		Number Sub-Type Supplemental	260000.00	260000.00	320000.00	390000.00	420000.00	450000.00	Annually	Population census; Uganda Bureau of Census	Hoima and Buliisa DLGs together with Ministry of Lands, Housing and Urban Development
Percentage of training graduates who are employed or self-employed after six months of completing training in supported programs		Percentage	NA	NA	70.00	70.00	70.00	80.00	Six Monthly	Tracer Studies	Project Institutions and Ministry of Education and Sports
Direct project beneficiaries		Number	0.00	0.00	60000.00	130000.00	1660000.00	1690000.00	Annually	Population census; Uganda Bureau of Census BTVET Department, MOES and Targeted Institutions	Uganda National Roads Authority, Hoima and Buliisa DLGs together with Ministry of Lands, Housing and Urban Development, Project Institutions and Ministry of Education and Sports.
Female beneficiaries		Percentage Sub-Type Supplemental	0.00	0.00	51.00	51.00	51.00	51.00	Annually	Population census; Uganda	Uganda National Roads Authority,

										Bureau of Census BTVET Department , MOES and Targeted Institutions	Hoima and Buliisa DLGs together with Ministry of Lands, Housing and Urban Development, Project Institutions and Ministry of Education and Sports.

Intermediate Results Indicators

Indicator Name	Core	Unit of Measure	Baseline	Cumulative Target Values					Frequency	Data Source/ Methodology	Responsibility for Data Collection
				YR1	YR2	YR3	YR4	End Target			
Kyenjojo to Kabwoya Road Upgraded to Class II	☐	Kilometers	0.00	0.00	30.00	60.00	100.00	100.00	Annually	UNRA	UNRA
Number of bridges, culverts and swamp crossings constructed/ rehabilitated under Project.	☐	Number	0.00	0.00	10.00	20.00	30.00	40.00	Annually	Hoima and Buliisa DLGs	Hoima and Buliisa DLGs and MOLHUD
Rural District roads rendered passable all season under Project	☐	Kilometers	0.00	0.00	100.00	200.00	300.00	350.00	Annually	Hoima and Buliisa DLGs	Hoima and Buliisa DLGs and MOLHUD

Town Roads upgraded/ rehabilitated under Project (km)	☐	Kilometers	0.00	0.00	0.00	5.00	8.00	10.00	Annually	Buliisa Town Council	Buliisa Town Council and MOLHUD
Local physical plans updated/ completed and approved for selected areas in Buliisa and Hoima Districts (number)	☐	Number	0.00	0.00	0.00	0.00	8.00	8.00	At beginning, mid-term and end of project	Ministry of Lands, Housing and Urban Development and Hoima and Buliisa DLGs	Ministry of Lands, Housing and Urban Development
Number of markets constructed under the Project.	☐	Number	0.00	0.00	0.00	5.00	7.00	10.00		Hoima and Buliisa DLGs, Buliisa Town Council	Hoima and Buliisa DLGs, Buliisa Town Council and MOLHUD
Reform Task Force Oil and Gas Committee established and functional to define skill needs and set standards.	☐	Yes/No	No	Yes	Yes	Yes	Yes	Yes	First Year of Project	Ministry of Education and Sports	Ministry of Education and Sports
Internationally recognized and demand responsive CBT curricula and assessment (for	☐	Yes/No	No	No	Yes	Yes	Yes	Yes	Annually	Ministry of Education and Sports	Ministry of Education and Sports

critical occupational areas) introduced and in effect.											
Number of new entrants enrolled in training for identified trades/occupatio ns in the two targeted institutions	☐	Number	0.00	0.00	0.00	150.00	300.00	500.00	Annually	BTVET Department , MOES and Targeted Institutions	BTVET Department, MOES
Number of learners from the Albertine Region receiving bursaries to undergo training in identified programs in targeted BTVET institutions across the country, of which % female	☐	Number	0.00	100.00	300.00	400.00	500.00	600.00	Six Monthly	Targeted Institutions and managemen t agency	Management Agency through MOES
Female learners receiving bursaries.	☐	Percentage Sub-Type Supplemental		40.00	40.00	40.00	40.00	40.00	Six Monthly	Targeted Institutions and managemen t agency	Management Agency through MOES

Annex 1: Results Framework and Monitoring

Country: Uganda

Project Name: Uganda: Albertine Region Sustainable Development Project (P145101)

Results Framework

Project Development Objective Indicators

Indicator Name	Description (indicator definition etc.)
Average travel time between Kyenjojo and Kabwoya for large vehicles/ public transport	The indicator measures the travel time savings due to the upgrading of the road from Kyenjojo to Kabwoya to Class II. This is a measure of improved regional level access and connectivity. The supervision consultant will be responsible for data collection. The average travel time is determined through surveys of drivers. Current travel time for larger vehicles between Kyenjojo and Kabwoya averages 3.5 hours. After upgrading, the average travel time is expected to improve to 2 hours (estimated with an average speed around 60km/hr).
Share of rural population with access to an all-season road in Buliisa and Hoima Districts	Percentage of rural people in the project area who live within 2 kilometers (typically equivalent to a 20-minute walk) of an all-season road. This indicator is also known as Rural Access Index (RAI). An all-season road is motorable all year by the prevailing means of rural transport (often a pick-up or a truck which does not have four-wheel-drive). Predictable interruptions of short duration during inclement weather (e.g. heavy rainfall) are acceptable, particularly on low volume roads. Please note that this indicator requires supplemental information. Supplemental Value: Number of rural people with access to an all-season road The Supplemental Value is the total number of rural people with access to an all-season road. An all-season road is a road that is motorable all year by the prevailing means of rural transport (often a pick-up or a truck which does not have four-wheel-drive).
Number of rural people with access to an all-season road in Buliisa and Hoima Districts	Please indicate the absolute number of rural people with access to an all-season road.
Percentage of training graduates who are employed or self-employed after six months of completing training in supported programs	This will be used to measure the impact of improved access to skills development by tracking the anticipated increase in percentage of trainees who find suitable employment upon graduation from the targeted institutions. Tracer studies by the

	project institutions will be used for data collection and monitoring.
Direct project beneficiaries	Direct beneficiaries are people or groups who directly derive benefits from an intervention (i.e., children who benefit from an immunization program; families that have a new piped water connection). Please note that this indicator requires supplemental information. Supplemental Value: Female beneficiaries (percentage). Based on the assessment and definition of direct project beneficiaries, specify what proportion of the direct project beneficiaries are female. This indicator is calculated as a percentage.
Female beneficiaries	Based on the assessment and definition of direct project beneficiaries, specify what percentage of the beneficiaries are female.

Intermediate Results Indicators

Indicator Name	Description (indicator definition etc.)
Kyenjojo to Kabwoya Road Upgraded to Class II	This will monitor the progress of Component 1 road upgrading.
Number of bridges, culverts and swamp crossings constructed/ rehabilitated under Project.	This measures the number of “blackspots” fixed to allow roads to be motorable. Blackspot interventions include bridges, culverts and swamp crossings.
Rural District roads rendered passable all season under Project	The indicator will measure the annual increase in kilometers of rural roads rendered passable all-season due to fixing of “blackspots” from the Project interventions, thereby measuring improvements in rural accessibility.
Town Roads upgraded/ rehabilitated under Project (km)	This will measure annual increase in kilometers of improved town roads under the Project and therefore the improvements in urban accessibility.
Local physical plans updated/ completed and approved for selected areas in Buliisa and Hoima Districts (number)	This will monitor the process of developing and officially adopting the local physical plans for the eight selected areas under Component 2.
Number of markets constructed under the Project.	This measures the economic infrastructure, in particular the markets, constructed under the Project and therefore improvements in access to local markets.
Reform Task Force Oil and Gas Committee established and functional to define skill needs and set standards.	Reform Task Force will set industry standards for skilled labor. Functional is defined as having regular meetings and a full time coordinator.
Internationally recognized and demand responsive CBT curricula and assessment (for critical occupational areas) introduced and in effect.	To ensure that the quality of curriculum and assessments are up to international standards, meet employer needs and are adopted by the oil and gas committee.

Number of new entrants enrolled in training for identified trades/occupations in the two targeted institutions	New enrollments in the targeted trades within the target institutes in the region.
Number of learners from the Albertine Region receiving bursaries to undergo training in identified programs in targeted BTVET institutions across the country, of which % female	Measure the number of people from the Region receiving bursaries and are undergoing training in identified programs in targeted BTVET institutions, ensuring at least 40% of the beneficiaries are female.
Female learners receiving bursaries.	Ensuring at least 40% of the beneficiaries are female.

Annex 2: Detailed Project Description

UGANDA: Albertine Region Sustainable Development Project

1. The Albertine Region's economy depends currently on agriculture, with fishing and tourism contributing significantly as well. Both agriculture and fishing are major sources of employment in Uganda, providing jobs to about 66 percent of the country's working population. In the Albertine Region located in Western Uganda, agriculture is the main source of livelihood with 90 percent of the population engaged in it. Majority of the region's farmers are smallholders (average farm size ranges between 0.5 and 2 acres) with limited capital and knowledge. The dominant cash crops grown on small scale farms include tobacco and cotton especially in Buliisa, as well as tea plantations. The dominant food crops include beans, maize and bananas although these crops are often sold for cash income too. In terms of fishing, over 90 percent of fish catch in Uganda is harvested from lakes, and Lake Albert comes second (37.8 percent) after Lake Victoria (45.9 percent). In 2010, fish catches from Lake Albert were estimated at 56,500 million tons and valued at UGX 351 million (approximately US$150,000).

2. Possessing high ecological and biodiversity significance, the Albertine Region holds valuable tourism assets. It is home to the Murchison Falls National Park, several forest and wildlife reserves and a number of heritage sites. The number of visitors to Uganda's national parks saw a marked increase of 33 percent between 2008 and 2012 and the park is one of the most visited national parks in Uganda, with approximately 35,000 visitors per year. The national parks offer a wide range of tourism products including, nature guided hikes, village walks, butterfly and bird watching, in addition to the rare fauna and flora species. The Albertine Region is widely recognized for its ecological and biodiversity importance, and is part of the larger East Africa Rift System which stretches from the northern end of Lake Albert to the southern end of Lake Tanganyika and traverses the countries Uganda, Rwanda, Burundi, Democratic Republic of Congo (DRC) and Tanzania.

3. The Albertine Region is of relatively low density and served by several urban growth centers. Lake Albert is surrounded immediately by nine districts: Nebbi, Nwoya, Buliisa, Masindi, Hoima, Kibaale, Kyenjojo, Kabarole, and Ntoroko; of which the oil exploration activities are located within Hoima, Buliisa and Nwoya[17]. The total population for the nine districts is estimated at 2.85 million in 2013 (see Table 2-1: Districts around Lake Albert) with a young population profile - around 50 percent of the population is aged between 0-20 years. It is also relatively sparsely populated with a low density at about 100 persons per sq. km. Approximately 10 percent of the population resides in urban areas. However, the oil and gas development in the region has triggered population growth and will accelerate the urbanization process in the region. Already, there is an expansion of the growth centers, especially along the Hoima-Kaiso-Tonya Road. The influx of people from other regions seeking profits, jobs and market opportunities related to the oil industry is expected to accelerate. This will put increasing demand and pressure on infrastructure and services and an urgent need for planned development.

[17] Nwoya, Ntoroko and Buliisa districts are relatively newly formed districts.

Table 2-1: Districts around Lake Albert

Districts	Area (sq km)	Population				
		From Census		Projected		
		1991	2002	2011	2012	2013
Nebbi	2917.2	185,551	266,312	337,400	346,200	355,100
Nwoya	NA- new district (used to be part of Gulu)	37,947	41,010	52,600	54,000	55,500
Buliisa		47,709	63,363	78,900	80,800	82,800
Masindi	9443	129,682	208,420	334,200	352,400	371,600
Hoima	5932.8	197,851	343,618	523,400	548,800	575,100
Kibaale	4246	417,218	458,318	494,500	498,300	502,100
Kyenjojo	4054.4	182,026	266,246	369,700	383,600	397,700
Kabarole	1824.4	299,573	356,914	409,400	415,600	421,700
Ntoroko		24,255	51,069	79,900	84,100	88,400
Total	**~28,418**	**1,521,812**	**2,055,270**	**2,680,000**	**2,763,800**	**2,850,000**

Source: Uganda Bureau of Statistics. August 2013. 2013 Statistical Abstract.

4. Oil and gas production will change the economic profile of the Albertine region, but agriculture, tourism and fishing will continue to be economic mainstays of the region and major sources of employment. Indeed, development of the region to support oil development (e.g. increased infrastructure investments) has the potential to benefit the traditional economic sectors of the region if handled properly. Therefore, the project is designed to benefit and enhance opportunities around oil sector development, but also to support current socioeconomic conditions and create opportunities in the traditional economic sectors of the region. To that end, the proposed project is comprised of three separate, yet interacting, components: (1) Regional Access and Connectivity; (2) Local Access, Planning and Development; and (3) Skills Access and Upgrading. The components are detailed in this annex.

Component 1: Regional Access and Connectivity (IDA financing US$ 95 million; GoU financing US$6.89 million equivalent)

Sub-components: 1.1- Upgrading of Kyenjojo-Kabwoya Road (100 km) to Bitumen Standard (US$ 94.89 million[18]), 1.2-Supervision Services (US$6.4 million) and 1.3- Technical Assistance and Oversight (US$0.6 million). Amounts include contingencies.

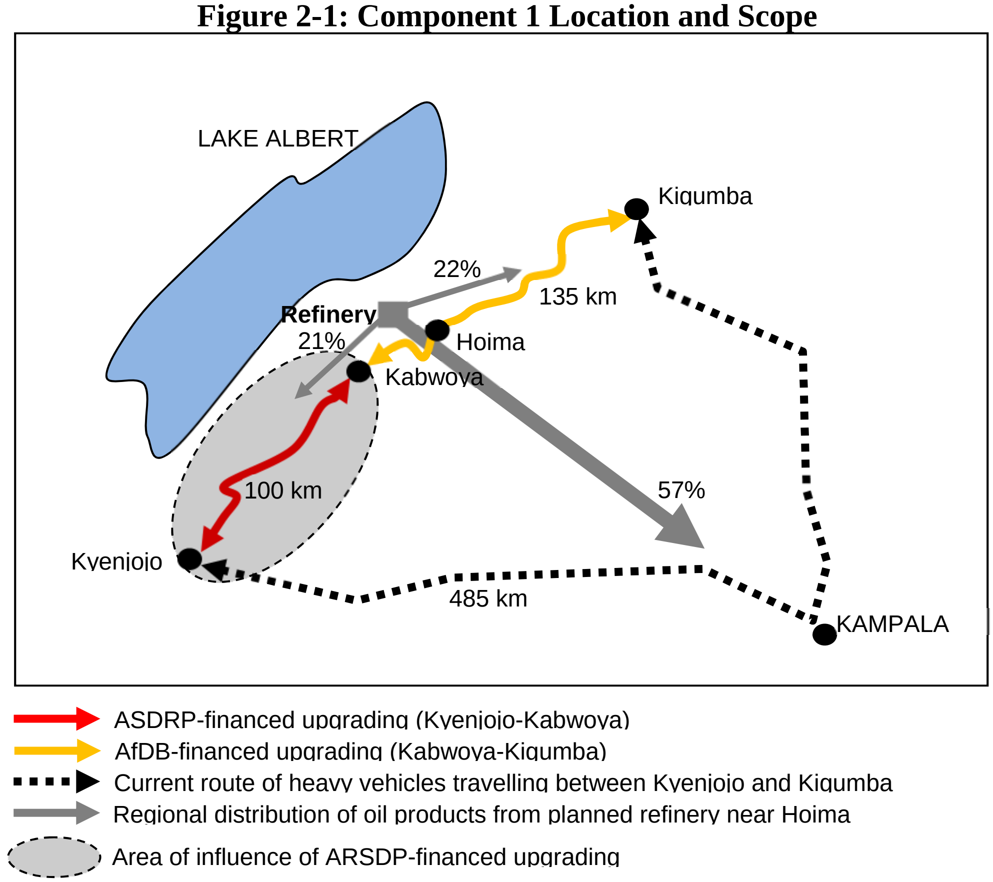
5. Component 1 will finance the upgrading of an approximately 100 km stretch of road from Kyenjojo to Kabwoya which forms part of the 238 km Kyenjojo-Hoima-Masindi–Kigumba road connecting the districts of Kyenjojo, Kibaale, Hoima, Masindi and Kiyrandongo in western Uganda. The work will entail upgrading of the existing unpaved gravel road to a paved Class II (bitumen) standard road. The component will also finance the costs associated with construction supervision and individual consultant's costs to support UNRA in overseeing the component, and compensation associated with implementation of the RAP.

[18] This includes the GoU financing of compensation costs of approximately US$6.89 million.

6. The 238 km Kyenjojo-Kabwoya-Hoima-Masindi-Kigumba road which lies entirely in the Albertine Graben Region of Uganda is part of the national road network. Internationally, this road links the Trans-Africa Highway and the Northern Corridor (specifically southwestern Uganda, Rwanda, Burundi and eastern DRC) to the Kampala - Gulu -Juba corridor as well as the northeastern corridor from Malaba on the Kenya border through Tororo, Mbale, Soroti, Lira and Kamudini to South Sudan and north-eastern DRC. The unpaved road begins from the paved Kampala- Fort Portal road about 250 km west of Kampala and terminates at Kigumba, about 200 km north of Kampala.

7. The Project will finance the first 100 km from Kyenjojo to Kabwoya, traversing the districts of Kyenjojo, Kibaale and Hoima. For the financing of the continuation of the paving of the road up to Kigumba on the Kampala-Gulu-Juba road, the GoU has obtained a Credit from the African Development Bank (AfDB), under their Road Sector Support Project 4. (see Figure 2-1: Component 1 Location and Scope).

Figure 2-1: Component 1 Location and Scope



8. Before the discovery of oil in the region, agriculture was the main activity in the districts through which the road passes. Subsistence agriculture (upland rice, maize, beans, cassava, millet and potatoes) is the mainstay of the economy. There is significant commercial agriculture, dominated by tea in Kyenjojo, tobacco and rice in Hoima and sugar in Masindi which will benefit from the road infrastructure. The road also forms part of the link between the Queen Elizabeth and Murchison Falls National parks and will significantly reduce driving time between

these two parks. Oil promises to transform the region and improving connectivity will benefit the development the oil industry in the region as well as the region's traditional agriculture, fishing and tourisms industries. The upgrading of this road will facilitate the development of these industries.

9. The feasibility study and detailed design carried out in 2012 and financed by the GoU indicated that it was economically feasible to upgrade the road to a Class II bitumen standard road. At the request of the AfDB who showed interest in upgrading the road, revisions were made to the detailed design and the final report to satisfy their specific requirements. The Bank has reviewed the design report and Technical Note prepared by UNRA. The borrow pit investigation revealed that with the addition of 3 percent cement and 20-30 percent crushed stone, 75% of the borrow pits met the criteria for G30 sub-base material. Thus, based on the results and the recommendations of the IDA funded Unit Cost Workshop held in Uganda in 2009 to optimize the use of natural materials in road construction. The Bank opted for the use of mechanical modification of sub-base with the addition of 20-30 percent crushed stone which was also adopted by the AfDB. Two alternative seals were examined, the first being Double Surface Bitumen Treatment (DBST) and the second being Asphalt Concrete (AC). The economic analysis gave an EIRR 17.9 percent with an NPV of US$26.7 for DBST and an EIRR of 15.1 percent for AC with an NPV of US$16.7 million for AC. (A summary of the economic appraisal for the road is presented in Annex 3-A.) The Annual Average Daily traffic on this road link is 730 motorized and 700 non-motorized vehicles per day (2012 traffic counts).

10. While the upgrading of the road will have regional benefits as a major corridor to facilitate linkages and trade with Uganda's neighbors to the north and south, it will also bring direct benefits to the communities living along the corridor. Road safety has been a major design consideration with the design taking into account the 2005 recommendations of the Transport Research Laboratory of the UK on road safety. This includes, for example, increasing road shoulders from 1.5 meters to 2 meters around towns. In addition, adequate contingency funds have been allocated to allow for construction of access roads and parking lots around markets and towns as needed.

11. The potential environmental impacts of the proposed project road include: clearance of trees and other vegetation due to realignment and road works, road cuts, fills and embankments; change in hydrology and drainage patterns and increase in sediment load of swamps and waterways as a result of widening the road embankment across wetlands; and soil and water contamination due to spillage and leakage of oils and other toxic materials. Other likely impacts include various forms of land take (temporally and permanent) leading to loss of human habitation as well as crops and other property; health risks from pools of stagnant water, noise, dust and air pollution from road works, borrow pits and quarries; spread of Human Immune Virus/Acquired Immune Deficiency Syndrome (HIV/AIDS) and sexually transmitted diseases (STD); and occupational safety problems. In addition, the potential impact on biodiversity following removal of topsoil and vegetation, as well as along sections passing through forests, wetlands and wilderness were considered so as to provide adequate mitigation measures.

12. An environmental and social monitoring plan has been developed outlining the nature, location and methodology of monitoring that should take place during the construction and

operation phases. An evaluation has also been made of the bodies/offices designated to supervise the monitoring tasks. The National Environmental Management Authority (NEMA) issued a letter of approval of the Environmental and Social Impact Assessment on 13 January 2014. The conditions for approval were integrated into the assessment and the management and monitoring plans.

13. The most significant impact will be on land acquisition for which a RAP has been prepared. A program of resettlement and compensation of affected persons is scheduled and costed in the RAP. Mitigation includes proper compensation for buildings and crops to the Project Affected Persons (PAPs). HIV/AIDS is usually associated with the extensive network of truck/bus rest stops and terminals, as well as with contractors' camps during construction stages of the project. The issue has been addressed within the sector strategy and will be addressed within the contracts through provision of on-site clinics screening and counseling for HIV/AIDS and STDs, awareness and training programs for workers and local people. The associated costs shall be included in the construction contracts.

14. The scope of work shall include: (i) site clearance and removal of topsoil; (ii) earthworks for the new alignment inclusive of the formation of all drains, side ditches, junctions and minor link roads in urban and rural locations and in climbing lanes; (iii) construction of embankments over swamps; (iv) construction of concrete pipe and box culverts and replacement/extension of existing culverts; (v) construction of a new bridge on Nguse River; (vi) construction of pavement layers consisting of a mechanically modified sub-base and crushed stone base and double surface dressing; and (vii) installation of guardrails, road marking and other items of road furniture.

15. Works will be executed under a single contract for a 36 months duration. Bidding will be on the basis of post-qualification. Bids were invited on January 22, 2014 with the closing date of March 24, 2014. The contract is expected to be signed in August, 2014. Works are expected to commence in October, 2014 and to be completed by October, 2017.

16. A number of lessons were learnt from the implementation of previous transport projects and are reflected in the design of this project. The key lessons being reflected in the design of the project are the following:

- *Sector Fiduciary Aspects:* Since August 2010, the Government with the support of the World Bank and other Development partners has been implementing several measures to improve governance in UNRA.The measures include, amongst others establishing a visibly independent mechanism for bid evaluation (Independent Parallel Bid Evaluation (IPBE) to benchmark and validate results from UNRA's procurement. The IPBE was established with support from DFID for an initial three years period and it became operational in March 2012. The process has helped to reduce the number of appeals and related delays in the procurement process.

- *Constrained Capacity of UNRA for Effective Contracts Management:* The increased annual budget for the transport sector (currently close to US$1.0 billion) requires a substantial increase in UNRA's implementation capacity. With the increased workload, the capacity of UNRA to review the quality of documents submitted by design consultants and to supervise major civil works contracts has been highly constrained. Effective contract management requires the client not only to rely on the supervising consultants, but also to have an internal capacity to check the performances of both the contractor and supervising consultants. The Government through ongoing Transport Sector Development Project (TSDP) has tried to address this through the provision of technical assistance. However constraints remain arising from the lack of adequate capacity and staffing within the technical departments in UNRA in contract management.

17. The design of ARSDP has taken into considerations the above lessons from previous transport projects and the following mitigation measures have been put in place: (i) bids for the Kyenjojo-Kabwoya road project will be subjected to the IPBE process, and (ii) given the constrained capacity of UNRA as a result of the increased budget for the transport sector and subsequent workload on the limited staff, the project will include a Contracts Management Specialist to support supervision of the Kyenjojo-Kabwoya road as well as a Sociologist an Environmentalist and a Right of Way Specialist to support safeguards implementation..

Component 2: Local Access, Planning and Development (IDA financing US$ 25 million equivalent)

Sub-components: 2.1- Physical planning (US$0.98 Million), 2.2 – Local Roads and Economic Infrastructure (US$20.67Million) and 2.3- Technical Assistance and Oversight (US$3.35 Million).

18. This component will finance planning and infrastructure development in three areas: (i) Hoima District, (ii) Buliisa District, and (iii) Buliisa Town.[19] Infrastructure will be focused on a limited menu for greater impact and will include rural and urban roads, markets, fish landings, storage facilities and slaughterhouses. Also financed under this component will be consultant services to support implementation, engineering design and supervision and technical assistance.

19. These areas were selected because of the potential substantial development pressure caused by the oil developments in the region, and the resulting pressures on local communities. The component is designed to support local governments to deliver the required infrastructure and services in response to this pressure. The GoU has chosen to limit the geographic focus to these two regions to maximize impact in these two oil producing districts.

20. Component 2 will directly and indirectly benefit the population living in rural and urban areas in Hoima District, Buliisa District and Buliisa Town. The potential number of beneficiaries under this component is approximately 650,000 people (Table 2-1). In 2005, rural poverty incidence in the three areas was substantially higher than the national average (39.1% against 31.0%).

Sub-Component 2.1 - Physical Planning

21. This sub-component will finance the development or refinement of physical development plans for 8 key urban centers in the Buliisa and Hoima Districts, and provide some capacity building support to local governments to facilitate the implementation of the plans. These key urban centers are Wanseko and Biiso in Buliisa District and Kigorobya, Kiziramfumbi, Kyangwali, Kabwoya, Kyarushesha and Butema in Hoima Distict. (Table 2-2 outlines the GoU’s

[19] Hoima Town was excluded as it is already receiving support through the WB funded Uganda Support to Municipal Infrastructure Development Program (USMID), which was approved in March 2013.

rationale for their selection.) This sub-component complements a larger umbrella of physical planning and implementation activities being undertaken by GoU. In addition, a regional strategic development plan will also be supported under this sub-component to complement the on-gong regional physical development plan. This strategic plan will highlight development strategies for the region and could inform potential follow-on operation in the region.

22. The Albertine Region was declared one of two Special Planning Areas under the 2010 Planning Act. The other being the Metropolitan Region of Kampala. This underscores the importance that the GoU has placed on the development of the region. At the regional level, the MoLHUD is currently developing the regional physical development plan (funded by DFID) covering a total of 25 Districts of the broader Albertine Graben Region, which will be completed in 2014. At the local level, the 8 key urban centers are part of a series of selected growth centers within the region slated to have physical development plans prepared. These key urban centers anticipate growth from the oil development and from the proximity to a planned refinery at Kabaale. They were also chosen as they are likely to contribute to the future development of the region and will benefit from the regional physical development plan currently being prepared. The MoLHUD has prepared conceptual plans in-house and have been presented to the Ministry Technical Staff and also to the Petroleum Exploration & Production Department (PEPD) of the Ministry of Energy and Mineral Development for their input.

23. The MoLHUD is in the process of preparing physical development plans for three town centers: Buliisa Town Council in Buliisa District, Sebigoro Fish Landing Site and Settlement on Lake Albert in Hoima District, and Butyaba in Buliisa District. The physical plans for these locations arebeing prepared using GoU funds through the AGR Planning component of the Support to National Physical Development Planning project. Buliisa Town Council, the headquarters of Buliisa District, has experienced the highest intensity of oil and gas activities with planning required to mediate conflicts between urban growth and oil activities. Butyaba, also in Buliisa district, lies on the shores of Lake Albert. It served as a port until 1969 when the port facilities were submerged. It was selected for fast tracking because of its strategic location. Being at the bottom of the rift valley, it is generally flat and very conducive for port and related facilities development. It lies about midway between oil development blocks. Sebigoro is a landing site on Lake Albert, in Hoima District. It is the point at which the road under construction from Hoima town to Kaiso – Tonya will terminate. It is expected that this road will increase activity at this already established and growing settlement.

24. MoLHUD is also in the process of selecting a consulting firm to conduct the physical planning for the 8 selected key urban centers. These physical development plans shall assist to inform the location of town roads and economic infrastructure sub-projects, where relevant.

Table 2-2: Urban Growth Centers Targeted for Detailed Physical Planning

District	Centers	Justification
Buliisa District	Wanseko	• Only 7 km from Buliisa TC. It is not part of the TC but is a vibrant fish landing site and arguably the most important business center for the District. • Wanseko is connected by ferry across the northern most tip of Lake Albert to Panyamur landing site in Nebbi district. This is the shortest alternative route to West Nile. • It is expected to provide a logistics base for supplies arriving by barge from Pakwach en-route to the oil and gas fields in Buliisa and Nwoya districts. • Its location and function as a landing site and transport connection hub has come with challenges that need urgent attention. These include a high HIV/AIDS prevalence and other social and environmental problems.
	Biiso	• Biiso is strategically located at the junction to Masindi and Hoima towns. • Partly owing to its strategic location, Biiso has experienced rapid growth as seen in the mushrooming constructions in the trading center. • Biiso is located at the edge of the escarpment just before the descent into the rift valley. Butyaba, the nearest rift valley lakefront settlement, is planned to develop into one of the biggest logistics bases within the Graben. Biiso will be required to service the development of Butyaba. It should be noted that Biiso's location relative to Butyaba bestows a more comfortable weather and it is thus more popular. • Biiso also services the nearby Bugungu Wildlife Reserve.
Hoima	Kigorobya	• This is a gazetted Town Council with an expired Physical Development Plan. Development has gone beyond the central area detailed plan prepared way back in 1997. • It is located on the main road linking Hoima town to Biiso and Buliisa and is expected to experience an influx of activities resulting from oil and gas activities. • Kigorobya is an agro business center whose development will provide alternative and complementary economic activities to the oil and gas industry.
	Kiziramfumbi	• Kiziranfumbi is the headquarters of Kiziranfumbi Sub-county. It is a fast growing settlement with a number of education, health and other institutions. • It is where the road to Kabale proposed refinery branches off from Hoima – Kyenjojo road. This alternative route to the refinery is expected to become very busy both during the construction phase and throughout the production phase of oil and gas and certainly calls for urgent planning. • The center is also a recipient of immigrants displaced by the proposed refinery development at Kabale which is just about 20 kilometers away.
	Kyangwali	• Kyangwali is the closest urban like settlement to the southernmost potential production fields (Kingfisher). It is planned to host a petroleum processing center and possibly a petroleum supply base. • It also serves the Kyangwali Resettlement Camp that hosts about 25,000 refugees.
	Kabwoya	• Kabwoya is where the road to Kyangwali and the Kingfisher area branches off from Hoima – Kyenjojo road. This is the third alternative route to the refinery and is expected to link the refinery to the western and southwestern parts of Uganda and neighboring countries. Like Kiziranfumbi, Kabwoya is also a recipient of some migrants from Kabale.
	Butema	• This trading center is just about 12 km from Hoima, Kampala Road. It is fast growing and a gateway town into Hoima municipality.
	Kyarushesha	• This is a fairly new trading center albeit one that is growing very fast as a result of re-settlers from South western Uganda. It is located on the third alternative route to the refinery between Kabwoya and Kabale.

Sub-Component 2.2 - Local Roads and Economic Infrastructure

25. This sub-component will finance the design, construction and supervision of two main types of infrastructure: (i) *roads* – with a focus on improvements or repairs of rural District roads and some urban roads, and (ii) *local economic infrastructure* - markets, fish landing sites, storage facilities and slaughterhouses. The focused investment menu ensures greater impact considering the modest resources available and was a result of discussion with GoU. Also financed under this component will be consultant services to support implementation, engineering design and supervision and technical assistance.

26. The participating Local Governments have identified a preliminary long-list of local roads and economic infrastructure projects in consultation with central government agencies, and with reference to their five-year development plans. These types of investments were selected based on four prioritization principles: (i) consistency with local government development priorities; (ii) supportive of employment creation; (iii) complementarity with other project components; and (iv) complementarity with projects financed from other sources. In addition, investments in roads focus on resolving bottlenecks due to its higher economic benefits and limited maintenance requirements. Identification of priority projects to be implemented will be carried out in the first year of project implementation based on the selection criteria and matrix developed (refer to Annex 3 for details). This selection process will be used to ensure that the selection of sub-projects will yield the highest returns.

27. The bulk of resources for this sub-component will be concentrated in the districts of Hoima and Buliisa on the upgrading of rural District roads. The upgrading of these roads aims to make as large a portion of the total network motorable all season. As Buliisa and Hoima Districts have large rural populations and the vast majority of the population continues to make its livelihood from agriculture and fisheries, improving access to markets and services and ensuring all season rural roads access is a high priority which will benefit these communities. Rather than completely upgrading entire stretches of a few selected roads, the strategy is to address the principle bottlenecks of access, such as swamps, culverts and bridges in the District road network. This strategy will allow for greater coverage and higher benefit to the communities. It is anticipated that about 330 kilometers of District roads will be upgraded under the component benefitting approximately 170,000 people.

28. In addition, investments will also go to some urban roads in Buliisa Town following its updated planning process. These investments will be limited to providing the back-bone of the main road network in Buliisa town center to facilitate future development in an orderly manner. This will be done in coordination with the new Town Plan that is being finalized.

29. Economic infrastructure sub-projects are limited to priorities identified by the District Local Governments and will include markets, fish landing sites, storage facilities and slaughterhouses. The types of economic infrastructure are selected to benefit the majority farming and fishing communities to support the main livelihoods in the region.

30. MoLHUD is engaging a consulting firm, on behalf of the local governments, to carry out: (i) survey the district road networks and conduct an assessment of the critical bottlenecks that

render the district roads non-motorable all year round and prepare designs to improve the identified areas; (ii) final selection of priority economic infrastructure sub-projects from the long list; (iii) feasibility studies, detailed design and bidding documents for upgrading roads and construction of the economic infrastructure; and (iv) supervision of construction works through a twinning arrangement with the three local governments. This more centralized approach was decided upon in order to bring economies of scale to the design and construction process and allow for a more coherent, regional approach to the upgrading of the district roads. However, during the mid-term review, it will be assessed to see if the local governments have sufficient capacity to directly implement and procure the economic infrastructure sub-projects.

31. An Environmental and Social Management Framework has been prepared to screen sub-projects for environmental and social impacts and a Resettlement Policy Framework has been prepared to guide an actions that might be required to resettlement and land acquisition related to sub-projects.

Sub-Component 2.3 - Technical Assistance and Oversight

32. Relevant consultant costs associated with detailed design and supervision, oversight and capacity strengthening for the MoLHUD and the local governments to implement the project will be included under this sub-component. In addition, this will support the incremental operational cost of the PST under the MoLHUD.

Component 3: Skills Access and Upgrading (IDA financing US$ 25 million; GoU financing of US$ 2 million equivalent)

Sub-components: 3.1 Improving institutions in the Albertine Region and establishing mechanisms for the coordination of skills development (US$25.0 million) and 3.2 improving access to relevant skills training programs through the provision of bursaries to people from the Region (US$2.0 million)

33. This component and will finance technical assistance, studies, training, and equipment to support establishment of the Oil and Gas committee under the Reform Task Force. It will also include financing of upgrading of the Uganda Petroleum Institute in Kigumba (UPIK), the Uganda Technical College (UTC) in Kichwamba, and construction of a new institute in Nwoya district, including physical infrastructure, goods, curricula development and instructor training. The financing of bursaries for people living in the Albertine Region to attend technical training institutes will also be included in this component.

34. The oil and gas sector is largely capital intensive and the employment needs vary with the phases of development. The development phase, which the country is now entering, is the most labor intensive with projection of about 7000 people to be employed by the third year of the development phase and this will plateau to about 2500 people by about the thirteenth year. Only 15 percent of total manpower will be engineers and managers, the rest will be technicians (60 percent) and unskilled workers (25 percent). The largest number of jobs and the most employable skills in the oil and gas sector and other sectors are within the less capital-intensive trades such as construction, tourism and agro-processing/agri-business. Even so, there is a need to build medium to long-term capacity of Ugandans to be operators and take up higher level

specialized oil and gas positions. This is a longer term process since oil production firms not only require experts to have acquired the necessary training but also to have worked in the respective areas for a number of years. Building this capacity is not only important for Uganda, but for the region at large which has significant potential for oil production.

35. The project will focus on building skills to support development in the Region. The Business, Technical, Vocational Education and Training (BTVET) system will play an important role in imparting relevant and quality skills for people within the region to access employment/self-employment. The BTVET system comprises of public, private and firm-based training. Throughout the country, there are 145 public institutions and approximately 1000 private training providers and a variety of apprenticeship and enterprise based training programs. Formal BTVET programs (colleges, schools and institutes) generally target students who have passed primary education grade 7. The typical program duration is six months to three years, culminating in the award of diplomas and/or certificates. Training programs vary in terms of intake requirements, duration, subjects and certification and only a few include institutional and enterprise based training as well as on-the-job training programs.

36. At the moment, the BTVET system still does not produce the appropriately skilled workforce that Uganda needs to increase incomes and employment, and to compete in the East African and international markets. Less than 40% of large and medium firms regard courses offered by BTVET institutions as relevant. Further, the quality of the training programs is in question given that only about half the registrants for the BTVET examinations pass. The low enrollment numbers in public institutes at around 50,000 currently is probably also indicative of the low quality of training offered and poor image of the sub-sector. Gender parity in enrollment is also a concern with only 25 of current enrollments being women.

37. The Skilling Uganda strategy, approved by Cabinet in 2012, denotes a paradigm shift for skills development in Uganda, aiming to create employable skills and competencies relevant in the labor market instead of simply academic certificates. The strategy has five specific objectives: (i) improving the relevance of skills provision to improve productivity and enhance growth; (ii) improving the quality of skills imparted; (iii) increasing access to and equity within the BTVET sector; (iv) improving organizational and management effectiveness; and (v) improving financing and internal efficiency. The MoES has the main responsibility for implementing and monitoring of the BTVET strategy but other ministries and private sector stakeholders are also involved and assume responsibilities. The strategic plan outlined the need to establish a unified body for skills development that answers the broadened mandate of the BTVET sector and the implied need to broaden partnerships. A Reform Task Force (RTF), with over half of the members represented by the private sector, was established as an interim management unit for four years to coordinate the implementation of the plan until a permanent body, the Skills Development Authority (SDA), and its governing structure is established. Other reforms within the Skilling Uganda strategy have by and large been stalled due to a lack of funding.

38. Employers have largely been passive beneficiaries of the BTVET system, but in recent times private firms, notably in the oil and gas and construction sector have been expressing an increasing interest in skills development, and some sectors are planning industry-driven

initiatives to skills development. The Skilling Uganda strategy explicitly welcomes such public private partnerships.

39. This Project provides a unique opportunity to implement the recommendations of the Skilling Uganda strategy at the Regional and sectoral levels. As a first step though, there needs to be coordination amongst the relevant stakeholders to ensure the focus on skills development is responsive to the needs of the labor market in the Region. The second step is to ensure that long-term capacity is being built in the Region to deliver quality and relevant skills, and the third step is to ensure that the short-term skills needs are being met to support the development of the Region currently.

Sub-Component 3.1: Improving institutions in the Albertine Region and establishing mechanisms for the coordination of skills development and

40. The Reform Task Force (RTF) established under the Skilling Uganda strategy comprises public and private entities and would be an appropriate place to coordinate activities under this component of the Project. Through the Project, an oil and gas (O&G) committee under the RTF would be established with the intention to support the following:

- Provide a platform for the engagement of the public and private sectors to jointly support the development of skills training in the Region;
- Determine, through studies, the skills requirements for the Region over the short, medium and long-term;
- Define the national occupational standards, to describe the skills and knowledge needed to perform competently in an occupation/trade.
- Identify the numbers of people required within the identified trades/occupations and define what of these should be delivered within the institutes targeted under sub-component 3.2.

41. The RTF O&G committee would comprise MoES, Ministry of Minerals and Energy, Petroleum Skills Uganda (now OGAS), the Uganda Federation of Employers, the Uganda National Association of Building and Civil Engineering Contractors, Ministry of Agriculture, Animal Husbandry and Fisheries, Ministry of Trade, Industry and Commerce, Ministry of Tourism and Antiquities, Tullow Oil, Total, CNOOC, the Office of the Prime Minister (Bunyoro Affairs) and others. The Project will support the Secretariat of the committee, technical assistance, studies, training, and equipment for the RTF O&G committee. The Committee will provide oversight for this component.

42. There are currently 14 public technical and vocation training institutes in the Albertine Region focused mainly on construction, small and medium scale manufacturing, agriculture, nursing and tourism.

43. The sub-component will focus on selected institutes that seek to provide training in specialized trades/occupations that will support petroleum operations (through UPIK), and construction trades/occupations that support the development phase leading up to petroleum exploration (through UTC-Kichwamba) and a new training institute in the Nwoya District following a skills needs assessment/feasibility study. The project will focus on training

specialized technicians for the petroleum industry at UPIK (petroleum operations, mechanical maintenance, electrical maintenance, and instrumentation) for the emerging petroleum industry. UTC-Kichwamba would focus on training of artisans and craftsmen in construction (carpentry and joinery, bricklaying, plumbing, electrical installation, scaffolding, welding and fabrication) which will support the development phase for the oil and gas sector. Even after the development phase, it is envisioned that there will still be a large demand for construction workers as the Government uses the oil revenues to invest in infrastructure such as schools, hospitals and roads.

44. The component will support: (i) the establishment of a Governing Councils that contains significant industry representation; (ii) partnership agreements between each institute and an international institute with programs addressing the target trades/occupations that are already internationally recognized and accredited; (iii) adaptation of these programs and curriculum[20], with support from the RFT O&G committee, to address local industry needs while at the same time maintaining their internationally recognized certification; (iv) training of local faculty by the international institutes and team-teaching for a period of one to two years; (v) upgrading of infrastructure and equipment to deliver the relevant training programs; (vi) career and placement support for trainees; (vii) tracer studies to track trainees once they have left the respective institute; (viii) development of a sustainable funding formula through a combination of a government grant, student tuition, and an industry contribution; (iv) assessment of BTVET institution needs in the Albertine Region and (iv) overall component oversight, including monitoring and evaluation and safeguards.

45. The component also includes financing for the construction of a new training institute in Nwoya District. There is currently no public BTVET facility in Nwoya District. The assessment would therefore focus on, *inter alia*, skills demand, target population of learners, curriculum development, instructor qualifications, financial sustainability, equipment and facilities. Funds have been budgeted to implement the recommendations of the assessment.

46. A needs assessment of UPIK and Kichwamba was carried-out during preparation.

47. *Uganda Petroleum Institute in Kigumba (UPIK).* UPIK is a relatively new institution, established in 2009, and its capacities have been and continue to remain limited. The start-up of UPIK has also not been without its challenges and difficulties. In a recently completed assessment of UPIK, the following issues were raised:

- *Curriculum*: The curriculum that exists presently at UPIK is not demand driven and has not been developed in cooperation with local industry. The present conversion program is very generic and includes a mix of petroleum operations and maintenance. The practical programs presently delivered at UPIK have extensive content that is not Petroleum specific in nature, for example welding and pipe-fitting training. The project

[20]The focus will be on competency-based training (CBT) which is different from traditional, academic and knowledge-based instruction. CBT defines occupational profiles (standards) and the actual work competencies that workers must perform with industry input, with training focusing on the mastery of the competencies defined in the profiles; trainees are continually assessed and required to demonstrate mastery of the competencies learned. CBT does not focus on courses, academic subject matter, or certificates but rather on occupations and the attainment of various packages and levels of work competencies (e.g. entry level, semi-skilled, highly skilled-technician, and supervisor, etc).

will fund the development of a demand-responsive curriculum focused on four trades/occupations: petroleum operations, mechanical maintenance, electrical maintenance, and instrumentation.

- *Instructors*: UPIK currently has 12 instructors. They are engineers from other disciplines and lack oil and gas experience. These instructors were sent to Norway – Rogaland Training & Education Centre (RKK) for a four week Training the Trainer course in Stavanger in 2010. UPIK and other stakeholders indicated that more instructor training was needed. The Project will finance an international institute to allocate a lead trainer per trade/occupation identified and provide training for local instructors over a number of years. During the first year the international trainers would team teach with the local instructors and for the second year local instructors would take the lead in teaching and the international trainers provide mentoring services. The international partner would support the development of a CBT Training & Assessment Instructor Training Program for local instructors. This program should provide technical training in each instructor's field of expertise and pedagogical training in teaching CBT courses. The course should also eventually contain a Return to Industry Scheme (RIS), in which instructors gain practical, hands-on experience in the oil & gas industry.

- *Facilities/ Equipment*: Some facilities have been constructed through prefabricated materials though more workshop specific space is required. There is virtually no equipment on the campus for training learners. There is currently no equipment or facilities for oil and gas specializations. Most of the practical training is conducted for trainees of UPIK through a 6 month course at Nakawa Vocational Training Institute in Kampala. The Project will finance the upgrading of facilities (workshops, dormitories and others) as well as equipment to support the delivery of skills for the relevant trades/occupations.

- *Organization and financing*: UPIK is in the early stages of development but it appears that some organizational aspects have not been sufficiently developed to date. The management of UPIK is currently under the Uganda Industrial Research Institute (UIRI), based in Kampala. No governing body has been established for the institute as yet and there currently appears to be a lack of full time management at UPIK given UIRI staff are working for two institutes. To date there appears to be no clear sustainable funding formula for UPIK. The long-term operating and capital financing appear to be completely the responsibility of the MoES. The Project would finance the establishment of a Governing Council with about 50 percent representation by the private sector, including the major petroleum contractors and a management structure based at the institute. The project will also finance the development of a sustainable funding model including public and private finances as well as fee for service modalities.

48. *Uganda Technical College in Kichwamba* -- UTC Kichwamba was founded in 1947 as an Artisan Training Centre for the resettlement of World War II veterans. In 1983, it was elevated to its current status of technical college. It currently enrolls about 550 trainees, of which about 10 percent are females.

- *Curriculum*: Like UPIK, the curriculum that exists presently at UTC Kichwamba is neither demand driven nor responsive to the needs of the petroleum industry in the Albertine Region. The College only delivers National and Higher diplomas (both two years in duration and for which completion of 'A' levels is required). However, according to the 2013 Schlumberger Manpower Survey, petroleum contractors mainly require artisanal level skills in construction trades. These are usually open to all entrants regardless of education levels. However, the MoES unfortunately closed down the College's Certificate and short-term programs in the construction trades several years ago. The Project is finance the introduction of internationally accredited short courses targeted at six trades identified by the oil and gas sector in construction, namely UK NQF Level 2 artisan programs in: 1) carpentry & joinery; 2) bricklaying; 3) plumbing; 4) electrical installation and 5) welding & fabrication. The Project will also finance UTC Kichwamba, together with MOES, to articulate with the Level 4 courses offered by Makerere on construction so that a clear progression route can be established from UTC to university level without UTC Kichwamba itself taking on the delivery of degree programs.

- *Instructors*: UTC Kichwamba currently has 37 instructors: 25 are salaried from the state budget, while 12 are paid by the College Governing Council. They all have degrees in their areas of expertise. Assistant lecturers are, however, only required to have diplomas. The College does not require its instructors to have qualifications in pedagogy/instructional methodology. Instructor training programs tend to focus on education and not on teaching the skills required for technical training, and most instructors do not know about CBT. The project will finance an partnership agreement with an international institute to support the instructor through team-teaching and mentoring. Many of the targeted trades/occupations are also taught in other private and public institutes in the country so the project will support short-term training of instructors from these institutes on the new internationally accredited curriculum.

- *Facilities/ Equipment*: UTC Kichwamba classroom and workshop facilities are run-down and in need of extensive renovation. The dormitories are in particularly bad shape and disrepair. In some dormitories student rooms are only partitioned with plastic curtains. The equipment in the machinist workshop which, according to the Principal, was donated by OPEC in 1998, is now obsolete, and much of it is broken down and needs repair. The project will finance the renovation/construction of facilities and purchase of new equipment to support the introduction of Certificate programs in the construction trades. It will also support the renovation of existing dorms or construction of new ones, since the introduction of the Certificate programs will generate increased enrolment. UTC Kichwamba will work closely with the international training provider on the physical plant design and equipment specification, in order that the laboratories and workshops at the College will comply with UK certification requirements for construction trades.

- *Organization and financing*: UTC Kichwamba has a dedicated principal and administrative staff. Its Governing Council does not have sufficient representation by the private sector, and none of the petroleum contractors are represented on the Council.

The College is in the process of applying for the title deed for the land from the Land Commission. The Project would finance the establishment of a Governing Council with about 50 percent representation by the private sector, including the major petroleum contractors. The project will also finance the development of a sustainable funding model including public and private finances as well as fee for service modalities.

Sub-Component 3.2: Improving access to relevant skills training programs through the provision of bursaries to people from the Region

49. While the targeted institutions will require two to three years of management, technical and administrative reforms to yield results with respect to developing quality and demand-responsive skills for the labor market, a bursary scheme seeks to address the short-term skills needs of the Region during the development phase of the oil production. These are portable skills that can be used in other sectors throughout the country. Low income groups tend not to participate in BTVET training because of prohibitive fees and the high opportunity costs as a result of long training duration. The component will finance, through GoU counterpart funds, bursaries for approximately 600 leaners from the Region to undergo skills training in the foremost institutes in the country on construction, agro-processing/agri-business, tourism and nursing. The training courses will range from six months to two years in duration, with the exception of nursing courses which may go up to 2.5 years. The sub-component will also include the establishment of institutional and management arrangements to administer and monitor and evaluate the program. Females will be given preference for the bursaries since they only constitute about 25 percent of enrollment within public BTVET institutes currently. The details of the bursary scheme will be outlined in the project operations manual, which is a condition of effectiveness.

50. *Selection of training providers*: Training providers will be selected through a competitive process by a Bursary Scheme Task Force comprising of representatives from the BTVET Dept. the MoES, the RTF oil and gas committee, the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF), the Ministry of Public Works, the Ministry of Trade, Industry and Commerce, Ministry of Tourism and Antiquities, the Office of the Prime Minister (Bunyoro Affairs) and others.. Both private and public training providers will be eligible to provide training under the scheme. The eligibility criteria will include, amongst others, the availability of existing programs/courses within the target trades within the institutes; institution and industry linkages, such as placement programs; the number of additional trainees the institute can enroll; the availability of required physical infrastructure and facilities; commitment to accommodate trainees from the Albertine region; internal efficiency indicators such as completion rates; availability and qualifications of faculty; existence of tracer studies to follow trainees; and whether the relevant programs are internationally recognized.

51. *Selection of trainees*: The Bursary Scheme Task Force will also be responsible for selecting, through a competitive process, an independent management agency that will be responsible for administering the scheme. The management agency will work closely with the relevant districts to disseminate information about the bursary scheme to the public in the Albertine region. The management agency (MA) will work through the districts to receive applications from interested trainees. The MA will be responsible for selecting trainees based on

eligibility criteria which include, among others, (i) the trainee should have been living in the region for the past five years; (ii) the trainee has a minimum of an O level certificate, or craft 1 or craft 2 technical certificates, or Uganda Vocational Qualifications Framework (UVQF) level 1 or level 2 certificates; (iii) the trainee must not be in receipt of any other bursary from other sources; and (iv) preference will be given to women. In addition to selecting the trainee to receive bursaries, the MA will be responsible for verifying data provided by each trainee through spot checks.

52. *Payment mechanism*: The training providers will be paid in installments, distributed between the start and completion of the course and against the placement of trainees. Once the institute is selected to provide training, it will receive an upfront payment of 20% of the total outcome price[21]. The institute will then receive 30% of the total outcome price on completion of the training and submission of a skills test report by the training provider; 25% of the total outcome price after submission of the three month trainee employment verification report (to be verified by the MA); and 25% of the total outcome price after submission of the six month trainee employment verification report (to be verified by the MA).

Table 2-4: Summary of Project Costs

Items	**Sub Total (USD)**
Component 1: Regional Access and Connectivity	
1.1: Road Upgrading	94,890,000
-*Kyenjojo-Kabowya Road Construction*	
1.2: Supervision Services	6,400,000
-*Construction Supervision, Monitoring & Evaluation*	
1.3: Technical Assistance and Oversight	600,000
Sub-Total	**101,890,000**
Component 2: Local Access, Planning and Development	
2.1: Physical Planning	980,000
2.2: Local Roads and Economic Infrastructure (including contingencies)	20,670,000
2.3. Technical Assistance and Oversight (including engineering design and supervision)	3,350,000
Sub-Total	**25,000,000**
Component 3: Skills Access and Upgrading	
3.1: Skills Coordination and Development of Institutes	25,000,000
3.2 Bursaries	**$2,000,000**
Sub-Total	**27,000,000**
Total	**153,890,000**

[21] Outcome price includes direct training costs as well as placement and follow up costs.

Annex 3: Implementation Arrangements

UGANDA: Albertine Region Sustainable Development Project

Project Institutional and Implementation Arrangements

1. This is a multi-sectoral project that will be implemented over a five year period. It focuses on preparing for the anticipated accelerated development of the Albertine Region in western Uganda which will be fueled by the development of recent oil discoveries. The Government of Uganda has requested a multi-sector project that will focus on improving the connectivity of the region, providing basic infrastructure and planning at the local government level and investing in institutions and people to prepare them for potential employment opportunities that are anticipated to result from the growth and development of the region. As a result, the project will be implemented by three separate implementing entities under the overall coordination of a Project Steering Committee (PSC) and Project Technical Committee (PTC) that will work to ensure harmonization across the components.

Project Administration Mechanisms

2. The MoFPED is the sponsoring government agency for the Project and will be responsible for overall oversight of the entire project. *A Project Steering Committee (PSC)* will be established with representatives from all key Ministries which will be responsible for providing policy direction to the *Project Technical Committee* (PTC). It will be chaired by the MoFPED and will include representatives of MoLHUD, MoES, MoLG, UNRA and Min. of Bunyoro Affairs. The PSC will meet annually.

3. The *PTC* will be established comprising of the Project Coordinators from the ministries in charge of each of the three components and the MoLG. The PTC will meet on a quarterly basis to review implementation progress between all components, address any technical and implementation issues and provide overall monitoring of the project's development objective. A consultant will be hired through Component 2 to provide support to the PTC. The PTC will serve as the primary interlocutor for World Bank missions during supervision.

4. *Component 1* will be implemented by UNRA which is the GoU's legal authority responsible for the national road network, established as an entity on its own legislation and operating under the supervision of the MoWT. Proceeds of the credit will be availed by MoFPED to UNRA as a grant. Accordingly, MoFPED and UNRA will sign a Subsidiary Agreement. The Executive Director of UNRA will be the "Accounting Officer" for the component and will delegate the day-to-day management functions of the component to a Project Coordinator within UNRA. UNRA will implement the project fully "mainstreamed" which means that it will work through its existing systems which have been developed with support from previous and ongoing IDA Credits.

5. UNRA will be responsible to present consolidated progress reports and consolidated unaudited Interim Financial Reports (IFRs) to IDA in a timely manner. It will also be responsible for the following with respect to this component: (i) procurement of works and

consulting services; (ii) financial management, record keeping, accounts and disbursements; (iii) project monitoring, reporting and evaluation and (iii) organizing supervision missions of IDA. Timely and consolidated progress reports and IFRs on Component 1 will also be submitted by UNRA to IDA. UNRA and MOFPED will sign a Subsidiary Agreement to allow UNRA to manage the necessary funds for the implementation of Component 1. The agreement will be included in the Project Operations Manual.

6. The *MoLHUD* will be responsible for the overall management and coordination of *Component 2*. It will manage centrally the procurement, design, implementation and supervision of Component 2 activities in close collaboration with the Ministry of Local Government (MoLG) and the participating Local Governments (LGs). This more centralized approach was decided upon in order to bring economies of scale to the design and construction process and allow for a more coherent, regional approach to the upgrading of the district roads. However, the economic infrastructure sub-projects may be procured in a decentralized manner by the local governments when there is sufficient capacity, to be assessed during the Mid-Term Review.

7. *A Project Support Team (PST),* with seven full-time staff, has already been established and functioning under MoLHUD as part of another World Bank Program, USMID (a Program-for-Results operation), and will now also provide support for this Project, so as not to duplicate resources unnecessarily. The PST will assist the participating councils in the final definition and preparation of Component 2 sub-projects. The PST will also provide advice and assistance to the local councils on contract management, construction supervision, safeguards requirements and financial management, amongst others.

8. *The MoLG* will play a key supporting role for Component 2, with respect to the overall accountability of local governments pertaining to the Local Government Act and other relevant policies. Clear roles and responsibilities of the MoLG in support of Component 2 will be detailed in the Project Operations Manual. Essentially, MoLG will carry out its mandate to the LGs per current legislation, and any specific roles pertaining to the Project. These would include: (i) being a member of the Project Steering Committee and the Project Technical Committee, (ii) support to LGs on monitoring and evaluation, and (iii) potentially provide greater capacity development and support to LGs if it is decided during the MTR that the economic infrastructure implementation should be devolved to LGs.

9. While MoLHUD will centrally manage the implementation of Component 2 activities, the participating local councils will provide requisite oversight support for effective execution. This means that consultant engineers/project managers will work with LGs on project design, management, oversight and reporting. Staff of the participating LGs will provide necessary support to the consultants and contractors engaged for planning, design and contract management activities and contractors engaged for works and goods contracts, together with the PST staff. The local governments will ensure that the planned sub-projects are captured in their physical development plans, their five year development plans and reflected in their annual budgets. As mentioned earlier, the implementation of economic infrastructure may be devolved fully to the local governments in the future when sufficient capacity is developed and if agreed with the GoU. In this case, LGs will be required to monitor such project resources are utilized

for the purpose of the project activities and accounted for in line with the LGs Financial and Accounting Regulations.

10. Project implementation for Component 3 will be mainstreamed in the MoES using existing institutional establishments. The overall responsibility for project implementation lies with the Permanent Secretary, with coordination under the purview of the Department of Planning. The RTF will be responsible for the implementation of sub-component 3.1.

11. The Department of BTVET will be responsible for the implementation of sub-component 3.2 which aims to improve the quality and relevance of targeted institutions in the Region. The BTVET Department, with support from the MoES's procurement and financial management team, will be responsible for the procurement of goods, works, and consulting services on behalf of the target institutes.

12. The administration of the bursaries for trainees in the Region will also be the responsibility of the BTVET unit within MoES. The Project will establish the arrangements and systems required to administer the program and build MoES capacity.

13. The RTF's O&G sectoral committee will provide oversight for this component and it is expected that the implementing units will report back to the O&G sectoral committee on a quarterly basis.

14. An overall Project Operational Manual (POM) will be prepared and will be an effectiveness condition of this Credit. The POM will contain or refer to the detailed arrangements and procedures for implementation of the Project, including, inter alia: (i) institutional coordination and day-to-day execution of the Project; (ii) disbursement and financial management; (iii) procurement; (iv) monitoring, evaluation, and reporting; (v) procedures, measure and guidelines for environmental management and implementation of the EIA/SIA, ESMPs and RAPs; and (vi) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the project implementation.

Fiduciary

Financial Management

15. An assessment was conducted of the proposed financial management arrangements for the Albertine Region Sustainable Development Project (ARSDP) to be implemented by; (i) Uganda National Roads Authority (UNRA) for component one covering approximately 100 kilometers of road from Kyenjojo to Kabwoya; (ii) Ministry of Lands Housing and Urban Development (MoLHUD) for component two covering Buliisa District and Town Council and Hoima District; (iii) Ministry of Education and Sports (MoES) for component three covering Uganda Petroleum Institute Kigumba and the Kichwamba Technical College. The objective of the assessment is to determine under OP/BP 10.00: (a) whether UNRA, MoLHUD and MOES have adequate financial management arrangements to ensure ARSDP funds will be used for purposes intended in an efficient and economical way; (b) ARSDP financial reports will be prepared in an accurate, reliable and timely manner; and (c) the entities' assets will be

safeguarded. Under OP/BP 10.00, borrowers and project implementation entities are supposed to have and maintain adequate financial management systems which include budgeting, accounting, internal controls, funds flow, financial reporting and auditing arrangements to ensure that they can readily provide accurate and timely information regarding the project resources and expenditures.

16. These arrangements are deemed acceptable if (a) they are capable of correctly and completely recording all financial transactions and balances relating to project resources (b) if they can facilitate the preparation of regular, timely and reliable financial statements (c) safeguard the project's assets and (d) are subject to auditing arrangements acceptable to IDA. The financial management (FM) assessment was carried out in accordance with the Financial Management Practices Manual issued by the Financial Management Sector Board on March 1, 2010.

17. Actions outlined in the Financial Management Action Plan will be undertaken by UNRA MoLHUD and MOES to strengthen the financial management system. The Bank and the three implementing entities have agreed on the format for preparing the Interim Financial Report (IFR) and the Terms of Reference for external audit. In order to ensure that the project is effectively implemented, UNRA, MoLHUD and MOES will ensure that appropriate staffing arrangements are maintained throughout the life of the project.

18. The conclusion of the assessment is that the financial management arrangements for the project have an overall Substantial risk rating. However, the proposed financial management arrangements satisfy the Bank's minimum requirements under OP/BP 10.00 and are adequate to provide, with reasonable assurance, accurate and timely information on the status of the project resources required by IDA. With the implementation of the action plan, the financial management arrangements will be strengthened. A copy of the report is available in the project files with restricted official access only.

19. *Strengths of the Implementing Units.* The project financial management is ***strengthened*** by the following salient features; (i) the accounting personnel within UNRA, MoLHUD and MoES are adequately qualified and experienced. (ii) UNRA, MoLHUD and MoES have successfully implemented other Bank projects while maintaining adequate financial management arrangements. (iii) the accounting policies and procedures are documented in UNRA Financial Management Manual and for ministries in The Public Finance and Accountability Act 2003 and Treasury Accounting Instructions, 2003.

20. *Budgeting Arrangements.* Budgeting for the project in the three implementing agencies will be in line with the Government budgeting cycle and as per The Treasury Accounting Instructions 2003 issued under the Public Finance and Accountability Act, 2003. The three agencies have consistently prepared timely budgets and monitoring is done through monthly and quarterly expenditure returns. The budgetary provisions for UNRA and the Ministries have been inadequate and there are also budget cuts during the year which further affects implementation of planned activities. Budget ceilings on expenditure items as provided by the MoFPED is not related to project activity levels resulting in combining and charging expenditure to wrong expenditure codes. Delays in execution of budgets resulting in cost

overruns are also present. Poor feasibility studies resulting in unrealistic budgets that calls for frequent revisions. The chart of accounts as provided by the MoFPED is inconsistent with project costing as per the cost tables. GoU funds will be limited to compensation costs related to Component 1 and implementation of the Component 3.2 component while overall IDA financing is 94%. Detailed feasibility studies have been undertaken in guiding the budget estimates under the project.

21. *Accounting System.* The Ministries accounting systems are documented in The Treasury Accounting Instructions 2003 issued under the Public Finance and Accountability Act, 2003 while UNRA has the Financial Management Manual (FMM) which is being updated. In addition the Project Operational Manual will include a section on financial management arrangements specific to the Bank projects. UNRA is computerized and is using Pastel Partner 2007 Version accounting software which is currently inadequate resulting in several manual interventions and very weak internal controls of Pastel as per the Auditor General's report of June 30, 2012 and accounting staff. It is expected that the system will be upgraded within six months of starting the project. The Ministries are using IFMS which for some project operations such as payments processing but has weaknesses with generation of financial reports in an acceptable format. This will be supplemented through export of the IFMS data to excel spreadsheet and formatting it in acceptable format. The Ministries and UNRA will maintain similar books of accounts to those for other IDA funded projects. The June 30, 2012 audit reports for three IAs identified material accounting weaknesses that need to be addressed.

22. *Staffing Arrangements.* UNRA is adequately staffed with qualified and experienced accounting staff. The UNRA Directorate Finance and Administration is headed up by the Director Finance and Administration (DFA) who reports to the Executive Director. The DFA is supported by a Finance Manager/Chief Accountant for the finance function who, in turn, is assisted by a Financial Accountant, a Management Accountant and five Regional Accountants. At the Ministries, the Heads of Accounts will have the overall FM daily operations. The ministries will handle the project through the current Project Accountants designated to handle Bank projects. All the accounting staff dealing in projects will continue to receive refresher training on the more recent World Bank Financial Management and Disbursement Guidelines.

Internal Controls & Internal Auditing

23. *Internal Controls.* The project will rely on existing internal control framework to ensure that all procedures and controls are adequately documented as per The Public Finance and Accountability Act, 2003 and Treasury Accounting Instructions 2003 and UNRA Financial management Manual. The June 30, 2012 entity audit reports for UNRA and MoES noted several material internal control weaknesses that need to be addressed.

24. *Internal Audit.* UNRA has a Directorate of Internal Audit headed by a Director assisted by two Audit Managers and three financial internal auditors. Recruitment of two technical and one financial internal auditor through IDA support under the TSDP is at an advanced stage with delays due to absence of Board that needs to approve the appointments. UNRA has procured the services of a firm to conduct technical audits, develop a technical audit manual and also train the technical internal auditors. The internal audit directorate reports to the audit committee. The

Internal Audit operations are guided by the Internal Audit Charter and Internal Audit's Policy and Procedures Manual of April 2009 which is being updated. The internal audit directorate activities are constrained by inadequate access to financial resources. UNRA should ensure that adequate financial resources are availed to the internal audit directorate to carry out its activities as per the approved audit work plan and budget. The directorate is expected to carry out quarterly audits but only had reports for 1st and 2nd quarter only for the last FY ended June 30, 2012. Similarly, the Audit Committee is required to meet quarterly but only held one meeting during the FY ended June 30, 2013. It was also noted that there is material management delay in responding to internal audit reports. At the time of the assessment, the management had not responded to second quarter internal audit report which was concluded in April 2013. The Ministries have internal auditors from the MoFPED who will be expected to include the projects in their work plans. The resources for the internal audit reviews will be provided for by the project. To address previous weakness in responding to internal audit findings and recommendations, the ministries and UNRA will be required to submit semi-annual internal audit reports to MoFPED and the Bank within 45 days after the end of the semester.

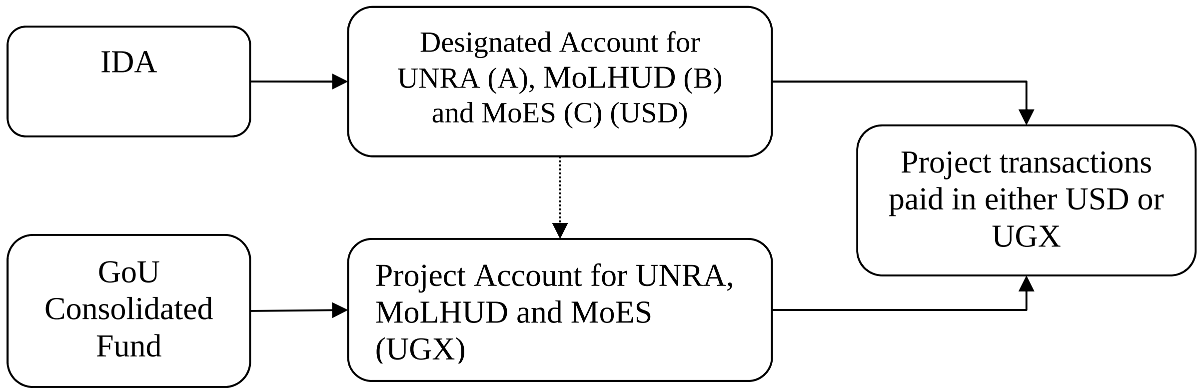
Fund Flow Arrangements

25. *Bank Accounts.* The following bank accounts will be maintained by UNRA, MoLHUD and MoES for the purposes of implementing the project; (i) Designated Accounts denominated in US dollars, disbursements from the IDA Credit will be deposited on this account. UNRA will operate DA “A”, MoLHUD DA “B” and MoES DA “C”, (ii) Project Accounts denominated in local currency; where transfers from the Designated Account (for payment of transactions in local currency) will be deposited in accordance with project objectives. These bank accounts shall be opened at Bank of Uganda. The signatories for the project will be done in accordance with the Treasury Accounting Instructions 2003.

26. *Flow of Funds.* UNRA, MoLHUD and MoES will be using the report-based disbursement procedure and funds flow arrangements for the project will be as follows:

- UNRA, MoLHUD and MoES will prepare a six monthly cash flow forecasts for project based on the approved work plan and submit the Withdrawal Applications and cash forecasts together with the cash request to the Bank after the effectiveness of the project. Subsequent Withdrawal Applications should be submitted at least quarterly with Interim Financial Reports (IFRs) within 45 days after the end of the quarter accompanied by a cash forecast for the next six months, The quarterly periods follow the calendar year quarters hence IFRs should be prepared as of end of March, June, September and December.
- IDA will make an advance disbursement from the proceeds of the Credit based on the cash flow forecast by depositing into a Borrower-operated Designated Account held at Bank of Uganda denominated in US Dollars.
- Funds can be paid from the Designated Account transferred to the project account denominated in Uganda Shillings to make payments in this currency.

Fund Flow Chart



Disbursement Arrangements

27. UNRA, MoLHUD and MoES have established a financial management and accounting systems, which will facilitate the use of report based disbursement where cash flow forecasts based on work plans are submitted for a period of six months, ideally quarterly along with IFRs. The IFRs will be submitted for disbursement on a quarterly basis. In compliance with the report based guidelines, the project will be expected to, (a) sustain satisfactory financial management rating during project supervision; (b) submit IFRs consistent with the agreed form and content within 45 days of the end of each reporting period, and (c) submit a Project Audit Report within 6 months following the end of the financial year.

28. Upon effectiveness, UNRA, MoLHUD and MoES will be required to submit an IFR with the six month cash flow forecast to IDA in order to make a deposit to the designated (Special) Account. Replenishment of funds from IDA to the Designated Account will be made upon receipt of the quarterly IFRs which will contain the 6 monthly cash flow forecast for the subsequent period. If ineligible expenditures are found to have been made from the Designated Account, the Borrower will be obligated to refund the same. If the Designated Account remains inactive for more than six months, the Borrower may be requested to refund to IDA amounts advanced to the Designated Account.

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

Financial Reporting Arrangements

30. Formats of the quarterly financial reports to be generated from the financial management system were agreed upon between UNRA, MoLHUD and MoES and the Bank before project negotiations. The financial reports will be designed to provide quality and timely information to the project management, implementing agencies, and various stakeholders monitoring the project's performance.

31. The following quarterly IFRs will be produced by UNRA, MoLHUD and MoES:

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

32. In addition to the above IFRs, UNRA , MoLHUD and MoES will also have to submit to the Bank the following information in order to support report-based disbursement:

- Designated Account (DA) Activity Statement.
- DA Bank Statements.
- Summary Statement of DA Expenditures for Contracts subject to Prior Review.
- Summary Statement of DA Expenditures for contracts not subject to Prior Review.

33. The annual financial statements should be prepared in accordance with International Public Sector Accounting Standards (which *inter alia* includes the application of the cash basis of recognition of transactions) for external audit. The IDA Financing Agreement will require the submission of audited financial statements to the Bank within six months after the financial year end. These Financial Statements will comprise of: (i) A Statement of Sources and Uses of Funds / Cash Receipts and Payments (ii) A Statement of Affairs / Balance Sheet (iii) Statement of Fund Balance (iv) Designated Activity Account Statement (v) Notes to the Accounts.

External Auditing Arrangements

34. The Auditor General is primarily responsible for auditing of all government projects. Usually, the audit may be subcontracted to a firm of private auditors, with the final report being issued by the Auditor General, based on the audit work carried out by the subcontracted firm. In case the audit is subcontracted to a firm of private auditors, IDA funding may be used to pay the cost of the audit. The audits are done in accordance with International Standards on Auditing. UNRA, MoLHUD and MoES will individually submit the project audit reports together with the Management Letters to the Bank within six months after the end of each financial year. The appropriate terms of reference for the external auditor have been agreed between the Bank, UNRA, MoLHUD and MoES.

35. The June 30, 2012 entity audit report for MoES was qualified due to unaccounted for funds, mischarge of expenditure and advance of activity funds to personal accounts. The June 30, 2012 audit report for the Transport Sector Development Project (TSDP) under UNRA was unqualified with no major weaknesses identified.

36. The June 30, 2012 Entity audit report for UNRA was qualified due to overpayment to contractors and theft of UNRA GoU funds. Other weaknesses reported in the entity audit report included inter project/account borrowing, variation of basis of Variation of Price (VOP), delays in completion of works and cost overruns, excess payment to contractors, diversion of funds, inadequate budgets, premature failure of pavement layers on some roads, irregular payments

and non-deduction of liquidated damages and delayed payments of contractors certificates. Mitigation measures have been built in the project design to address these weaknesses noted in the project and entity report. The June 30, 2012 entity report for MoLHUD was unqualified.

Financial Management Action Plan

37. The action plan below indicates the actions to be taken for the project to strengthen its financial management system and the dates that they are due to be completed by.

	Action	**Date due by**	**Responsible**
1	Upgrade of the accounting system.	Within 6 months of starting the project.	UNRA
2	Submission of semi-annual internal audit reports to the Bank	Semi annually	UNRA, MoES and MoLHUD

Effectiveness Conditions

38. There are no conditions to be included in the legal agreement.

Financial Covenants

39. Financial covenants are the standard ones as stated in the Financing Agreement Schedule 2, Section II (B) on Financial Management, Financial Reports and Audits and Section 4.09 of the General Conditions.

Procurement

Procuring Agencies and Packages

40. Procurement under the project will be conducted by the following agencies for the different components:

Component	**Agency Responsible for procurement**	**Summary of Major procurements Expected**
Component 1 - Regional Access and Connectivity	Uganda National Road Authority (UNRA)	1. Works for Upgrading of 100km Kyenjojo Kabwoya Road 2. Supervision of construction of Road
Component 2 – Local Access, Planning and Development	Ministry of Lands Housing and Urban Development (MoLHUD)	1. Construction and supervision of roads and economic infrastructure in participating Local Governments 2. Preparation of physical development plans
Component 3 – Skills Access and Upgrading	Ministry of Education and Sports (MoES)	1. Civil works and equipment for the upgrading of up to three vocational institutions. 2. International accreditation and curriculum development.

41. The LGs shall participate in procurement and contract administration by MLHUD as part of capacity building for the LG staff in procurement and contract administration. Specifically they shall be involved in the review / preparation of bidding documents and management of contracts

Applicable Guidelines

42. Procurement under the project will follow the *Guidelines: Procurement under IBRD Loans and IDA Credits* dated January 2011 and *Guidelines: Selection and Employment of Consultants by World Bank Borrowers* dated January 2011.

Use of National Procurement System

43. All contracts procured at the national level following National Competitive Bidding (NCB) and other lower procurement procedures such as Shopping, may follow the national public procurement law (the Procurement and Disposal of Public Assets Authority (PPDA) Act, 2003) and attendant regulations. These procedures have been reviewed by the Bank and found to be acceptable, but shall be subject to the following:

- Negotiating with the lowest evaluated responsive bidder shall not be permitted for goods, non-consulting services and works procured using competitive methods; however for civil works, technical discussions to agree on work programs, method statement and other technical matters related to contract implementation with an awarded bidder are permissible;
- The use of a merit point system for bid evaluation shall not be permitted except for procurement of: (i) complex information and technology systems; and (ii) design and build contracts;
- Domestic preferences shall not apply under NCB;
- The charging of fees for dealing with bidder complaints at procuring entity level shall not be permitted;
- In accordance with the Procurement Guidelines, each bidding document and contract shall provide for the following: (i) the bidders, suppliers, contractors and subcontractors shall, on request, permit the Association to inspect the accounts and records relating to the bid submission and performance of the contract, and shall have the accounts and records audited by auditors appointed by the Association; and (ii) any deliberate and/or material violation of such provision by any bidder, supplier, contractor or subcontractor may amount to an obstructive practice provided for in paragraphs 1.16(a) and (v) of the Procurement Guidelines;
- Firms or individuals debarred or suspended by the Association shall not be eligible (in addition to firms or individuals suspended by PPDA);
- Disqualification of bidders for not purchasing bidding documents from the Borrower shall not apply; and
- Evaluation of Goods and Works: The following documentation or their equivalent shall not be treated as eligibility requirements: (i) tax clearance certificate(s); (ii) tax registration certificate(s); (iii) trading licenses; and (iv) PPDA certificate(s) of registration. Documents (i) to (iii) may however be included as post qualification requirements, which the Recipient can request the bidder to present during the evaluation.

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

45. *Procedure for Shopping:* Shopping shall follow the Request for Quotation (RFQ) procedures as defined in the PPDA Act and attendant regulations. These procedures have been reviewed by the Bank and found to be satisfactory subject to the exceptions under para 3.

46. **Advance Contracting and Retroactive Financing** shall apply for this project. To be eligible for financing, the procurements shall follow the financing agreement and the procurement plan.

Procurement Thresholds to be applied in the Procurement Plan

Expenditure Category	Contract Value Threshold (US$)	Procurement Method	Contracts Subject to Prior Review (US$)
1. Works	US$ 10,000,000 and above Below 10,000,000 Below US$ 100,000	ICB NCB Shopping	All contracts As specified in PP None
2. Goods and Non-consulting Services	US$ 1000,000 and above Below US$ 1,000,000 Below US$ 50,000	ICB NCB Shopping	All contracts As specified in PP None
3. Consulting Services[22] and Training	With firms above US$ 300,000 With individuals above US$ 100,000 With firms up to US$ 300,000 With Individuals up to US$ 100,000	Quality and Cost Based Selection Individual Qualifications/Other Individual	All contracts All Contracts As specified in PP Only for project Staff
4. All types of contracts	All contracts	Sole source / direct contracting and terms of reference	As specified in PP

Source: Environmental and Social Impact Statement for Proposed Upgrading of Kyenjojo-Hoima-Masindi-Kigumba Road and UBOS District Population Profile 2011.

[22] A shortlist of consultants for services estimated to cost less than US$ 200,000 equivalent per contract may consist entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Procurement Plan

47. All three implementing agencies – UNRA, MoLHUD and MoES have prepared a procurement plan which has been reviewed by IDA. The plans will be updated annually to reflect the latest circumstances. The procurement plans. Below is a summary of packages involving international competition

Component 1

Goods, Works and Non-Consulting Services

1	2	3	4	5	6	7	8
Ref No	Contract (Description)	Estimated Cost (US$ 000)	Procurement Method	P-Q	Domestic Preference (yes/No)	Review by Bank (Prior/Post)	Expected Bid Opening Date
1	Civil Works for the upgrading of Kyenjojo – Kabwoya road (100 Km)	$ 87,100	ICB	Post	No	Prior	24 March 2014

Consulting Services

1	2	3	4	5	6
Ref No	Description of Assignment	Estimated Cost (US$ 000)	Selection Method	Review by Bank (Prior/Post)	Expected Proposals Submission Date
1	Construction Supervision Services for the upgrading of Kyenjojo- Kabwoya road	$ 5,220	QCBS	Prior	03 March 2014
2	Clients Contract Manager (58 months to cover DLP and design review)	$ 406	ICS	Prior	28 March 2014

Component 2

Consulting Services

1	2	3	4	5	6
Ref No	Description of Assignment	Estimated Cost (US$)	Selection Method	Review by Bank (Prior/Post)	Expected Proposals Submission Date
1	Consultant for preparing Engineering Designs, Bidding Documents and supervision of package 1 and package 2 sub-projects.	2,196,052	QCBS	Prior	5/23/14
2	Consultant to develop physical development plans for 8 key urban centers in the district of Hoima and Buliisa (Kigorobya, Kiziramfumbi, Butema, Kyagwali, Kabwoya, Kyarusheshe, Waseko, Biiso)	1,275,000	QCBS	Prior	3/27/14

Component 3

Goods, Works and Non-Consulting Services

1	2	3	4	5	6	7	8
Ref No	Contract (Description)	Estimated Cost (US$)	Procurement Method	P-Q	Domestic Preference (yes/No)	Review by Bank (Prior/Post)	Expected Bid Opening Date
1	Supply and Delivery of assorted equipment for Uganda Petroleum Institute, Kigumba	4,000,000	ICB	Post	N/A	Prior	1-Sep-15
2	Supply and Delivery of assorted equipment for Uganda Technical college, Kichwamba	2,500,000	ICB	Post	N/A	Prior	21-Feb-15
3	Office Equipment for consultants and RTF	50,000.00	Shopping	Post	N/A	Post	14-Apr-14

Consulting Services

1	2	3	4	5	6
Ref No	Description of Assignment	Estimated Cost (US$)	Selection Method	Review by Bank (Prior/Post)	Expected Proposals Submission Date
1	International Accreditation, Curriculum Adaptation and Training of Faculties for Uganda Petroleum Institute Kigumba	2,000,000	QCBS	Prior	2-Jul-14
2	International Accreditation, Curriculum Adaptation and Training of Faculties for Uganda Technical College, Kichwamba	2,100,000	QCBS	Prior	2-Jul-14
3	Preparation of designs for and supervision refurbishment for Lot 1 - Uganda Petroleum Institute, Kigumba and Lot 2 Uganda Technical College, Kichwamba	400,000	QCBS	Prior	23-Apr-15
	Establishment of arrangements for the management and administration of the bursary program	400,000	QCBS	Prior	15-Jul-14
5	Needs Assessment/feasibility study for skilling needs and facilities in the Nwoya District Albertine region	250,000	CQS	Prior	2-Aug-14

Procurement Risks and mitigation measures

- **UNRA.** UNRA will conduct most of the procurement by value under the project. UNRA now has a fairly established system for procurement and contract administration for roads contracts and this continues to be strengthened under the ongoing Transport Sector Development Project. The main risks are (i) delayed procurement and contract implementation due lack of adequate procurement and technical staff to support procurement and contract administration, (ii) lack of bidder confidence resulting in several complaints being raised that in turn delay procurement further, and (iii) cases of leakage of confidential information and non-adherence to pre-disclosed bid evaluation criteria. The assessment concluded that the overall procurement risk of the UNRA is **Substantial** and the proposed risk mitigation measures are summarized below:

Risk	Action	Timeframe	Responsibility
Delays in conducting procurement at all stages resulting in overall implementation delays due to lack of adequate procurement and technical staff to support procurement and contract administration	Additional staff being recruited in the Procurement Directorate under the ongoing Transport Sector Development Project A Contract Manager to be recruited under the project to support the Projects Directorate in procurement and contract administration Regular monitoring of progress against the procurement plan by management	By February 2013 Throughout project implementation	UNRA
Hiring of unqualified contractors due to Misrepresentation by bidders of their qualifications	Conduct thorough due diligence on bidder qualifications including on their performance as part of bid evaluation	Throughout project implementation	UNRA
Delays in Payments to service providers leading to rising claims and time extensions	Internal Audit to regularly review and report on timeliness of payment Hiring of Contracts Manager to support contract management quicken review of reports and processing of payment	Throughout project implementation with quarterly reporting	UNRA
Rising bidder complaints resulting in delays due to leakage of confidential information during bid evaluation	UNRA is hiring Consultant to investigate specific cases of leakage and also advise on measures to safeguard confidentiality	March 2014	UNRA
Non adherence to bid evaluation criteria	Use of Independent Parallel Bid Evaluation to act as a check and balance in addition to prior review by IDA	ongoing	UNRA
Rising costs due to delays in processing of claims and variation requests from bidders	Implement red flag system procured under TSDP to monitor and report on timeliness of claims processing and address areas of weakness	March 2014	UNRA

- **Ministry of Lands Housing and Urban Development (MoLHUD).** Procurement will be conducted by the Project Support Team (PST) that has been established under the USMID project in the MoLHUD. The PST has been staffed with staff in Procurement, Engineering and Financial management and these have experience in implementing project procurement. The key risks are (i) delays in procurement due to inadequate monitoring and the lack of adequate technical staff to support procurement and contract management, (ii) low bidder participation due to fragmentation of contracts. This will be mitigated by (i) establishment of a procurement monitoring system, (ii) hiring of an additional civil engineer in the PST within 3 months of Project Effectiveness and (iii) consolidation of procurements across districts.

- **Ministry of Education and Sports.** The assessment of MEMD concluded that the overall procurement risk of the MoES is **High** and the proposed risk mitigation measures are summarized below:

Risk	Action	Timeframe	Responsibility
Insufficient staffing within the Ministry to handle the volume of procurement with the additional project procurement	Procurement Specialist to be hired to support processing of project procurement as well as support other IDA financed projects under the Ministry	June 2014	MoES
Delay to project processing and implementation due to lack of proper planning and non-adherence to procurement plan	Conduct training for the Ministry staff in training Establish system for regular review and reporting of the timeliness of procurement with possible independent review by Internal Audit department	June 2014	World Bank MoES
High bidder prices or poor participation due to major delays in payments with payments taking over 120 days	Review of the payments process to identify duplicative steps and refine the procedures accordingly. Following that conduct regular internal audit reviews and report on timeliness of payment	May 2014	MoES
Delayed or incomplete delivery of goods and services due to weak contract management and reporting	Establish Contract management system and report regularly on timeliness of contract performance	June 2014	MoES
Inadequate technical staff within the Ministry to support procurement and contract management	Deputy Project Coordinator to support project coordination and implementation	Prior to disbursement for the component	MoES

Frequency of procurement supervision

48. In addition to the prior review supervision to be carried out from Bank offices, the capacity assessment of the implementing agency recommends six-monthly supervision missions to visit the field, including at least one mission to carry out a post review of procurement actions.

Environmental and Social (including safeguards)

49. The project will be implemented in the Albertine rift valley region of western Uganda, an area of high biodiversity. The project triggered the following Environmental Safeguard Policies: Environmental Assessment OP/BP 4.01 – triggered because the program will support investments with potential adverse environmental impacts; Natural Habitats OP/BP 4.04 – triggered because the Albertine rift area includes a number of protected areas and other natural habitats (large national parks, forest reserves, wetlands, Lake Albert), which may potentially be affected; Forests OP/BP 4.36 applicable because the road improvements may have impacts on the adjacent forest reserves; Physical Cultural Resources OP/BP 4.11 triggered because project investments will involve civil works and may potentially affect known physical cultural resources in the area and Involuntary Resettlement OP/BP 4.12 because of land acquisition and displacement of livelihoods issues.

Safeguard Policies	**Triggered**	**Explanation (Optional)**
Environmental Assessment OP/BP 4.01	**Yes**	Triggered because the program will support investments with potential adverse environmental impacts. For the largest project activity supported with the bulk of project financing -- upgrade (paving) of the Hoima-Kyenjojo road - an environmental and social impact assessment (ESIA) was undertaken and Environmental and Social Management Plan (ESMP) prepared for component 1 in consultation with all the respective District local governments, central ministries and agencies and the local communities along the road. The ESIA was disclosed in-country on May 23, 2013 and July 25, 2013 and at the Bank's Infoshop on January 28, 2014. The ESIA was approved by NEMA on January 13, 2014. Component 2 will finance the design, construction and supervision of roads and economic infrastructure in select Districts and Towns in the region while component 3 will finance civil works and equipment for the upgrading and constructing of vocational institutions with fully equipped workshops and associated facilities. Since the specifics in terms of location/identity of sub-components to be implemented under these two components, Environmental and Social Management Framework (ESMF) has been prepared in Consultation with the respective Local Governments and Central Government Agencies that have a stake in the project, directly/indirectly. The ESMF was disclosed in-country on January 19, 2014 and at the Bank's Infoshop on February 5, 2014. The ESMF provides a process to assess the potential environmental and social impacts of project components 2 and 3. The ESMF established clear guidelines and methodologies for the identification and assessment of environmental and social impacts.

Natural Habitats OP/BP 4.04	**Yes**	Triggered because the Albertine Rift area includes a number of protected areas and other natural habitats (large National Parks, Forest Reserves, wetlands, Lake Albert). The activities located within the Rift Valley may potentially affect these natural habitats. The ESMF and activity- specific EIAs have been used to identify and address potential impacts on natural habitats. For potential impacts which cannot be avoided, adequate mitigation measures have been included in the ESMPs.
Forests OP/BP 4.36	**Yes**	Applicable because the road improvements may have impacts on the adjacent forest reserves, particularly through induced impacts due to improved access. ESMPs will include measures to address such impacts. Under component 1, road widening shall not be undertaken in the forested areas and all construction activities shall be restricted to the existing road alignment through the forested areas.
Pest Management OP 4.09	**No**	Not Applicable
Physical Cultural Resources OP/BP 4.11	**Yes**	Triggered because project investments will involve civil works and may potentially affect known and/or unknown physical cultural resources in the area. A "chance finds" procedure has been provided in the ESIA and in the ESMF.
Indigenous Peoples OP/BP 4.10	**No**	The task team confirms there are no indigenous people that may be affected by the project. The project area is dominated by natives of Bunyoro, Bagungu and Alur. This was confirmed before appraisal.
Involuntary Resettlement OP/BP 4.12	**Yes**	Applicable because the project investments may support interventions that could entail land taking or limiting access to land and other resources. An RPF was developed, consulted upon, and disclosed before appraisal in order to address potential involuntary resettlement issues under components 2&3. In addition, for Kyenjojo – Hoima road upgrade under component 1, a resettlement action plan was prepared, consulted upon, and was disclosed before appraisal (in-country on 30 Jan 2014 and at Infoshop on 31 Jan 2014).
Safety of Dams OP/BP 4.37	**No**	The project does not support or depend on dams.
Projects on International Waterways OP/BP 7.50	**No**	The project is not envisioned to affect international waterways.
Projects in Disputed Areas OP/BP 7.60	**No**	There are no disputed areas in the project area.

50. Project Component 1 is the largest because it involves upgrading of approximately 100 kilometer stretch of road from Kyenjojo to Kabwoya which forms part of the 238 kilometer Kyenjojo-Hoima-Masindi–Kigumba road connecting the districts of Kyenjojo, Kibaale, Hoima,

Masindi and ending up at Kigumba Town Council in the newly created Kiryandongo District connecting to Gulu highway.

51. The following Environment and Social safeguards instruments : i) Environmental and Social Impact Assessment (ESIA) was undertaken and Environmental and Social Management Plan (ESMP); and ii) a Resettlement Action Plan were prepared in consultation with all the Local Authorities, relevant Central Government Agencies and Ministries notably Ministry of Lands Housing and Urban Development, Ministry of Local Government, Ministry of Education and Sports, Ministry of Energy and Mineral Development, National Environment Management Authority, National Roads Authority, National Forests Authority, Ministry of Water and Environment, Ministry of Gender Labor and Social Development and local Communities along the road.

52. The ESIA was disclosed in-country on 23 May 2013 and 25 July 2013 and at the Bank's Infoshop on 28 January 2014. The RAP has been disclosed both in-country and at the Bank's Infoshop on January 30,2014 and January 31, 2014 respectively. RAP will be implemented prior to the start of civil works. In addition, the National Environmental Management Authority (NEMA) issued an EIA Certificate of Approval on 13 January 2014. The conditions stated in the EIA certificate of approval will be integrated into the Contractor's ESMP and implementation reported on a quarterly basis.

Key Potential Impacts and their mitigation

- *Impacts of road alignment* entailing relocation of water and power mains. For mitigation alternative water sources (e.g. spring wells) should be constructed for communities before damaging existing ones. Relocation of power-lines should be done as quickly as possible to avoid prolonged outages.
- *Social ills of construction labour:* prostitution and HIV/AIDS: prostitution and sexual fraternization of workers and communities can raise risk of HIV/AIDS. The contractor should have an AIDS Policy, provide free protection and conduct awareness for workers and project communities.
- *Sourcing of road construction materials* may be associated with loss of vegetation cover, excessive noise, vibrations and dust from stone blasting/crushing and fly rock. It shall a contractual obligation for the contractor to protect communities from these impacts and restore borrow sites and quarries upon closure. All stone quarries to be operated by the contractor must be acquired in consultation with the local Authorities and Environmental Assessment undertaken and approval obtained before commencement of any quarry operations.
- *Haulage of earth construction materials* may pose accident risk to road users, dust contaminating goods in roadside markets and noise at sensitive receptors (schools and health centres). The contractor shall provide safety signage, humps, banksmen and watering to suppress dust.
- *Establishment and operation of equipment yard and workers' camps* will require land to set up while their operation will generate domestic and hazardous waste that could contaminate environmental resources (soil, water). Additionally, there can be OHS risks

and unrestored sites would cause scenic blight. For mitigation, the sites shall be set up in consultation with the Local and District Authorities, the contractor should have a waste management plan as a contractual obligation, ensure fire safety on sites and restore sites upon closure.

- *Demolition of structures within reserve of proposed road:* During road upgrade, structures within the road reserve will be demolished but this will not happen until every affected person is compensated. Several structures will be affected in Kagadi Trading Centre, Muhorro, Haikoona, and Bwijanga. Mitigation includes implementation of a RAP entailing equitable compensation, resettlement and grievance management.

- *Traffic diversion:* Diversions may temporary delays in transportation of goods and passengers or traffic congestions or accidents (especially for heavily laden trucks and trailers) along detour roads that may not have been constructed properly. This will be mitigated through use of warning banks men at detours and providing information and plans of intended diversions in adequate advance time.

- *Impact on watercourses:* Along Kyenjojo-Hoima section, there are two major rivers to be crossed and would necessitate bridges, namely: River Muzizi and Nkusi. At these rivers, increase in sediment load in would temporarily impair water. For impact mitigation the contractor shall prevent scouring using gabions, stone pitching or lining banks with concrete. Disposal of waste and overburden in swamps will not be done at any watercourse.

- *Impacts due to operation of the asphalt plant*: Littering due to poor housekeeping at the asphalt plant or improper disposal of unused bitumen and aggregates or bitumen spills would have the localised impact of contaminating environmental resource (soil and water). As control measures: leftover bitumen and aggregates should be collected and properly kept for use on other sections of the road and bitumen drums should be stored in designated locations and not littered along the road.

- Other potential impacts include: clearance of trees and other vegetation due to realignment and road works, road cuts, fills and embankments – these shall be managed by limiting the extent of road widening and following the existing alignment as much as possible in forested areas, noise, dust and air pollution from road works shall be minimized by restricting construction activities to day time and sprinkling of water to suppress any dust during dry-spells and windy situations; All the identified Physical Cultural Resources shall be avoided. The *Kyokwera Rocks* near Kyenjojo Town, a worship place for the Catholic Faithful shall not be affected by the project. The Chance Finds Procedure included in the ESIA shall be used to guide management and handling of any PCR that may be excavated during civil or earthworks. A Grievance Redress Mechanism provided in the ESIA shall be used to handle any grievances that may arise during the Road Works.

53. Component 2 – Local access, planning and development; will finance the design, construction and supervision of roads and economic infrastructure in select urban and market areas in the Buliisa Town and Districts of Buliisa and Hoima; while component 3 – Skill Access and Upgrading; will finance civil works and equipment for the upgrading/construction of vocational institutions with fully equipped workshops and associated facilities. Components 1

and 2 are not yet well defined, and final selections and screening of towns, districts and institutions for implementation were not finalized by appraisal stage. Therefore, an Environmental and Social Management Framework (ESMF) and Resettlement Policy Framework (RPF) were prepared in Consultation with all the stakeholders including the respective Local Governments and Central Government Agencies, institutions and communities with the project operation area. The ESMF and RPF were disclosed both in-country on January 19, 2014 and at the Bank's Infoshop on February 5, 2014, respectively. The ESMF provides a process to assess the potential environmental and social impacts of project components 2 and 3. The ESMF established clear guidelines and methodologies for the identification and assessment of environmental and social impacts. It gives clear guidance for environmental screening, conduct of environmental assessments, as well as preparation of Environmental and Social Management Plans (ESMPs). The ESMF also outlines a framework for managing and monitoring the environmental and social impacts of the project, including management and handling of physical cultural resources, minimizing impacts on the natural habitats, and mechanism for addressing grievances. The ultimate goal of the ESMF is to ensure that the proposed project components will be environmentally and socially sustainable. The implementing Agencies shall during implementation, undertake ESIAs and/or develop ESMPs for sub-project activities following environmental screening process and outcome as provided in the ESMF. In addition, the RPF defines clear guidelines and requirements of preparation and disclosure of subsequent Resettlement Action plans during implementation; as well as procedures on land acquisition, compensation and grievance redress mechanisms.

54. The environmental impacts generic to projects under Components 2 and 3 and their management include the following:

	Project component	Benefit/ impact
1	**Component 2 : Detailed Planning and Priority Economic Infrastructure provision in five local government areas)** This component will provide urban planning support to municipalities. Under the component, investments will include: ▪ Roads ▪ Drainage including small bridges and culverts, and, ▪ Upgrading of basic infrastructure to local markets.	a) **Land take** associated with new construction or upgrade of infrastructure or land use change occasioned by new urban plans may lead to loss of assets or physical displacement of structures and businesses. Mitigation: ▪ Provide due compensation or resettlement to affected entities, as guided by the RPF. ▪ Ensure all grievances are conclusively addressed as per RFP. b) **Dust emissions during road construction:** Dust will stain roadside structures and taint merchandise or produce in shops and markets. Staining may require washing or repainting. Tainted goods for sale (especially sugar, flour, etc) would lose monetary value, hence negative socio-economic impact to affected persons. This impact will be short-term manifesting only during construction phase. Mitigation: ▪ Contractor should water construction areas to control dust. ▪ It is prudent to open only short stretches of roads that can be completed quickly and over which adequate environmental controls (such as watering for dust suppression) can be implemented.

	Project component	Benefit/ impact
		c) **Temporary severance of access when constructing roads and bridges** Severance of access to private property during construction works is a negative impact that would affect children, women, people with disabilities and elderly people unable to jump across deep trenches. Mitigation: Contractors should devise temporary provisions to avoid severance of access. d) **Public safety risks:** Civil works and construction traffic may pose public risks especially at school crossings and through busy urban areas where children, women or elderly people may be at higher risk of road accidents. Mitigation: ▪ Safety signs, flagmen, speed control measures and adequate sensitisation of road construction workers and people in project area should be undertaken to minimise accident risk. ▪ Road contractors should work together with local leaders to agree on public safety measures which should be disseminated to local people. e) **Urban planning that overlooks protection of green areas and wetlands:** The quest for big tax revenue, status of "expansive municipality", land for business and residential development may all prompt municipal councils to turn swamps and green areas into built areas. Swamps are sinks and filters for stormwater and control flooding while green areas are important for livable urban communities. Urban planning that does not protect these resources would therefore be retrogressive for socio-economic development (and environmental sustainability). Mitigation: In equal measure, the key aim of new urban plans should be to ensure both social-economic development and environmental sustainability. Plans should provide for and preserve urban environmental resources such as wetlands and green spaces. f) **Impact on resources of cultural heritage** Resources of cultural heritage may be affected if due consideration and care is not taken during developing urban plan and constructing infrastructure. This would be a negative and long-term impact. Mitigation: ▪ In developing urban plans, municipalities should preserve resources (e.g. buildings, monuments) of cultural heritage. ▪ During constructing infrastructure, physical cultural resources should be protected and conserved. Any chance finds encountered should be

	Project component	Benefit/ impact
		handed to the Department of Museums and Monuments for preservation.
2	**Component 3: Business, Technical, Vocational Education and Training (BTVET)** Support will include equipping workshops in core trades, upgrading curricula and training of instructors. Additional facilities e.g. dormitories, dining halls may be provided. Linkage with the private sector will be established	In the long-term, no negative impacts are predicted to ensue from support to upgrading and construction of vocational institutes but issues below should be considered during project implementation: a) Supported institutions should avoid pilferage of workshop equipment supplied by the project (and sale to ever increasing private vocational training schools) by proper inventory control and security. A cost effective security surveillance system may be considered by the project. b) Equipment supplied should match requirements of updated curricula to avoid financial loss and redundant investment. c) Equipment support should ensure there is adequate room in workshop to accommodate units supplied. If there is need to modify laboratory buildings to increase space in machine workshops, this should be considered early in the planning stage. d) Private vocational training institutions are increasing in number and technical skills. Instructors trained at UPIK or UTC Kichwamba may quickly be lured away by higher pay at private institutions, defeating the purpose and intent of the project. No smart control can be proposed for this risk but management of UPIK and UTC Kichwamba should devise feasible prevention measures.
		e) Construction of dormitories, dining halls or other buildings on site may have the following impacts: i) **Construction noise, vibrations and dust** Construction noise or vibrations will disrupt teaching and learning. This impact can be significant where construction activities last for several months or spanning examination periods. Exposure to dust from material handling, demolition and vehicle movement may pose short-term respiratory infirmities (e.g. coughs) to persons exposed. <u>Impact management:</u> Schools management should require contractors to schedule noisy activities outside class time or examination periods. ii) **Occupational safety risks for construction workers** Undertaking construction activities without necessary safety gear such as hard hats, hand gloves, foot protection and safety latches when working at heights could have risks of injuries leading to disability or even loss of life. These construction workers are the income earners in their homes and extended families therefore this risk would pose long-term financial handicap in affected homes. <u>Impact management:</u> All construction workers must be provided with requisite safety gear and trained in their proper use. iii) **Safety risks for students near construction sites** Near and around construction sites, students would be exposed to risks of harm by falling debris, dust and tripping on construction materials (aggregate, wood poles, etc).

	Project component	Benefit/ impact
		Impact management: Students in vocational institutions are old enough to heed advice to safely keep away from construction sites (unless under instruction or training). Therefore before and during construction, UPIK and UTC administration should sensitize students about construction risks on campus and prescribe safety measures. In addition, safety signs should be provided where necessary for public and student safety. iv) **Displacing prevailing uses at locations where new buildings would be built** It may happen that sites where buildings will be built may currently be used for various purposes e.g. green areas. Building on these locations would stop their availability for these uses. Impact management: Early enough, management of UPIK and UTC Kichwamba should plan to relocate to alternative sites, any activities going on at locations where new structures will be built. v) **Excessive enrolment numbers not supportable by available facilities** Improvement of facilities at UPIK and UTC Kichwamba will attract a large number of students. In quest for revenue, these institutions may enroll more students than can be supported by existing facilities, leading to overcrowding and ineffective teaching-learning experience. Impact management: Enrolment numbers should be maintained at levels commensurate with available facilities. vi) **Transportation of construction materials** Along public roads and at construction sites on college campuses, material transportation will increase road traffic with attendant effects such as increased accidents risk especially to children and road dust that could affect road-side shops and markets. Impact management: Contractors should ensure vehicles travel at low safe speeds college campuses and public roads. Temporary road safety signs should be provided wherever necessary to ensure road safety. Other impacts may be runoff on site or localized ponding due to inadequate drainage at construction sites. These however would have low significance with proper construction methods. vii) **Land take** associated with new construction or upgrade of institutions may lead to loss of assets or physical displacement of structures and businesses. Mitigation: ▪ Provide due compensation or resettlement to affected entities, as guided by the RPF. ▪ Ensure all grievances are conclusively addressed as per RFP.

Implementation capacity

55. The GoU implementing agencies are familiar with the World Bank safeguard policies on various Bank funded projects that are implemented within their individual mandates. UNRA and MoLHUD with the assistance of the Bank (on other previous Bank funded projects and training) has improved safeguards capacity through developing the necessary staff skills, increasing the staff numbers as well as undertaking field supervision missions to assess and address social and environmental issues including land acquisition and resolving potential conflicts.

56. However, the social and environmental staff capacity in numbers is still inadequate, with only one Environment Specialist and a social Safeguard team of 3 staff. In addition, although the MoLG and MoES has implemented Bank funded projects before, there is no in-house capacity to deal with safeguard issues. The implementation structure of the project (bringing together various GoU implementing agencies) will require effective coordination of the agencies, strengthening implementation, monitoring and reporting of environment/social including safeguard issues.

57. The respective agencies will implement the RPF and prepare subsequent RAPs for relevant sub-projects. UNRA will be responsible for component 1, MoES will be responsible for the component 3; MoLHUD will implement activities under component 2. This will require each implementing agency to delegate responsibility to a specific social safeguard person to monitor and report on progress of the implementation of the project, including coordinated reporting to the Project Steering Committee. UNRA will recruit one more Environmental Specialist and will recruit a Sociologist/Social Scientist and a Right of Way (RoW) Officer. MoLHUD and MoES will also recruit full time Environmental and Social Development Specialists or hire environmental and Social Development Consultants on a retainer basis to guide management and implementation of the environmental and social aspects of their projects.

58. The Local Governments have District Environment Officers, District Community Development Officers, Physical Planners and District Land Officers who shall be involved in project support supervision during implementation. They will support on projects assessments, development of ESMPs for small projects following guidance in the ESMF, implementation, monitoring and reporting including that of the RPF and RAPs.

59. The focal persons in the respective agencies will supervise implementation of subsequent ESMPs and RAPs including HIV/AIDS, gender monitoring and reporting activities as appropriate. The delegated social and environment staff of the respective agencies will conduct periodical (monthly) field visits. Bank safeguards specialists will participate in at least two supervision missions per year.

60. NEMA will be responsible for approval of environmental and social assessments and undertaking following compliance monitoring of projects in accordance with their mandate.

61. Detailed project implementation arrangements shall be provided in the Project Operational Manual.

Monitoring & Evaluation

62. Each implementing agency will be responsible for data collection to be used in the monitoring and evaluation of the project progress towards meeting the development objective and implementation progress. Progress will be monitored on a quarterly basis and presented to the PTC, which will be responsible for compiling the quarterly progress reports for the project.

Annex 4: Operational Risk Assessment Framework (ORAF)

Uganda: Albertine Region Sustainable Development Project (P145101)

<table>
<tr><th colspan="7">Project Stakeholder Risks</th></tr>
<tr><td>Stakeholder Risk</td><td>Rating</td><td colspan="5">Substantial</td></tr>
<tr><td rowspan="6">Risk Description:

The variable capacity, multi-sector nature and inter-governmental relationships of the participating government agencies could undermine the success of the project activities through its complexity. The participating government agencies/ministries may have insufficient capacity to implement project activities.

The prospect of oil development has created high expectations in the region and communities perceive not to have benefited from the oil development yet. This is combined with a highly centralized decision making process around oil development and use of oil revenues leading to potential for conflicts.

Low skills in the region mean that few people from the region will have the skills needed for direct employment in the oil sector.</td><td colspan="6">Risk Management:
The ability of government agencies/ministries to implement the project will be strengthened, with technical support and the institution of a Steering Committee to oversee progress of all three components. The technical and steering committee will ensure that each of the implementing agencies is meeting implementation targets and development objectives. While the overall project impacts will be enhanced if all components realize their objectives, the three components are also independent of each other so delays or issues on any one component will not have a major impact on the others.</td></tr>
<tr><td>Resp:</td><td>Status:</td><td>Stage:</td><td>Recurrent:</td><td>Due Date:</td><td>Frequency:</td></tr>
<tr><td>Client</td><td>In Progress</td><td>Implementation</td><td>✓</td><td></td><td>CONTINUOUS</td></tr>
<tr><td colspan="6">Risk Management:
Stakeholder/beneficiary expectations were assessed through a social assessment that looked at risks around the oil development in the Albertine Region. The project is designed to minimize expectations by providing benefits that are not directly related only to development of the oil sector development but to the region and local communities. Indeed the GoU's rationale for the project is demonstrating a commitment to bringing direct benefits to the region and local communities even in anticipation of the oil sector development. The GoU will also develop a communications strategy and plan to better engage the local communities regarding the region’s developments and their expectations.</td></tr>
<tr><td>Resp:</td><td>Status:</td><td>Stage:</td><td>Recurrent:</td><td>Due Date:</td><td>Frequency:</td></tr>
<tr><td>Bank</td><td>Completed</td><td>Both</td><td>✓</td><td></td><td>CONTINUO</td></tr>
</table>

						US
	Risk Management: Extensive work with local governments undertaken during project preparation to identify works that will maximize impact will yield direct benefits to communities and will be easy to implement. This has resulted in a solid pipeline of local level investments and the limited geographic focus will allow for greater local impact.					
	Resp: Client	**Status:** In Progress	**Stage:** Both	**Recurrent:** ☑	**Due Date:**	**Frequency:** CONTINUOUS
	Risk Management: The project has a focus on skills at two ends of the skills spectrum. On one level the project will focus on improving skills development at the Uganda Petroleum Institute in Kigumba (UPIK) for higher skilled petroleum sector jobs development. At the other end, the Kichwamba Technical College facilities, courses and training will be upgraded to provided trainees with access to employment in lower skilled trade areas that may also be in demand as the region develops. The bursaries sub-component will target people from the Albertine region to provide them portable and employable skills to find employment, including in tourism, construction and agriculture.					
	Resp: Client	**Status:** Completed	**Stage:** Both	**Recurrent:** ☑	**Due Date:**	**Frequency:** CONTINUOUS
Implementing Agency (IA) Risks (including Fiduciary Risks)						
Capacity	**Rating**	**Substantial**				
Risk Description: The weak institutional capacity of some of the implementing agencies could affect the pace and quality of project preparation and implementation. Local Governments are weak and with limited capacity. One of the targeted local governments - Buliisa District and Town - is relatively newly created local governments.	**Risk Management:** Capacity assessments on institutions safeguards, procurement, and financing aspects were carried out to identify strengthening requirements for implementation. Institutional arrangements were based on these assessments and agreed with all relevant stakeholders. Mitigation measures are being taken to ensure there is adequate capacity to carry out the project, including a Project Support Team in the MoLHUD linked to the Bank financed USMID project and procurement support for UNRA and MoES. In addition to ongoing government efforts to address weaknesses in procurement through amendment of the					

<table>
<tr><td rowspan="6">The BTVET sector is characterized by segmentation and overlaps between roles and responsibilities of the different institutions and agencies and within certain ministries. One result of this is that not all stakeholders share the same vision for skills development in Uganda.</td><td colspan="6">procurement law and strengthening enforcement, specific measures are proposed below to address procurement risks.</td></tr>
<tr><td>Resp:
Both</td><td>Status:
In Progress</td><td>Stage:
Both</td><td>Recurrent:
☑</td><td>Due Date:</td><td>Frequency:
CONTINUOUS</td></tr>
<tr><td colspan="6">Risk Management:
Component 2 will largely be implemented centrally by MoLHUD by the WB funded USMID project team. This unit will centralize procurement for design and construction supervision and the contracting of works. This will be done, however, with twinning arrangements with the three local governments. The centralized procurement will develop economies of scale and provide for greater regional impact under the component. The economic infrastructure sub-projects may be procured in a decentralized manner by the local governments in the future, but only when there is sufficient capacity and in agreement with GoU. Procurement risks will also be mitigated by: (i) establishment of a procurement monitoring system, (ii) hiring of an additional civil engineer in the PST within 3 months of Project Effectiveness and (iii) consolidation of procurements across districts.</td></tr>
<tr><td>Resp:
Client</td><td>Status:
In Progress</td><td>Stage:
Implementation</td><td>Recurrent:
☑</td><td>Due Date:</td><td>Frequency:
CONTINUOUS</td></tr>
<tr><td colspan="6">Risk Management:
Component 1 will be carried out by a seasoned implementing agency. In addition, detailed preparation work has been done under the component and advance procurement activities are underway which minimizes the risks of delay.</td></tr>
<tr><td>Resp:
Client</td><td>Status:
In Progress</td><td>Stage:
Implementation</td><td>Recurrent:
☑</td><td>Due Date:</td><td>Frequency:
CONTINUOUS</td></tr>
<tr><td>Governance</td><td>Rating</td><td colspan="5">Substantial</td></tr>
<tr><td>Risk Description:
Multiplicity of sectors and actors could give rise to lack of</td><td colspan="6">Risk Management:
Overall responsibility for coordination will rest with MoFPED, assisted by the</td></tr>
</table>

<table>
<tr>
<td rowspan="3">clear coordination and insufficient coordination, affecting project preparation, implementation and outcome.

Funds for this subcomponent may not be effectively used to achieve project objectives.</td>
<td colspan="6">participating line ministries. A Project Steering Committee chaired by the MoFPED will be set up to guide on implementation. Specific components will be implemented by the relevant line ministries and local governments. Supervision missions will be conducted twice per year, combined with WB decentralized oversight of FM, procurement and technical implementation will allow for careful and continuous project monitoring. Governance mechanisms are in place for transport projects in Uganda and will apply to the Roads component in this project.

On the Bursary subcomponent, prior to payment of any funds from the Bursary Scheme, the project will support the development of robust implementation and monitoring and evaluation arrangements to ensure that bursary funds are used for the intended purpose.</td>
</tr>
<tr>
<td>Resp:
Both</td>
<td>Status:
In Progress</td>
<td>Stage:
Both</td>
<td>Recurrent:
☑</td>
<td>Due Date:</td>
<td>Frequency:
CONTINUOUS</td>
</tr>
<tr>
<td colspan="6">Risk Management:
The World Bank is working with the Government to strengthen anti-corruption and accountability institutions and PFM systems. GAC is a cross-cutting pillar in the 2011-2015 CAS and commitment was made in the CAS PR (August 2013) to continue with inbuilt governance and anti-corruption measures (GAAPS) into new operations and the value for money agenda across the portfolio, including in AAA/ESW, particularly PERs.

The Annual Reports on Corruption Trends in Uganda using the Data Tracking Mechanism published in 2010, 2011 and 2012 provide the Government with a self-assessment tool for corruption and governance and identify areas where key reforms to address governance have failed. This will help provide pointers for better governance arrangements in the project.

The team is working to reduce the risks associated with traditionally high-risk activities such as civil works procurement. The Bank and Government counterparts have prepared bidding documents for these high-risk activities during preparation and augment fiduciary capacity within the implementing agencies.

The project also stands to benefit from Government wide initiative to restore fiduciary confidence in the Government’s own PFM systems, that has been embarked on by the</td>
</tr>
</table>

	MoFEPD and the World Bank's renewed commitment to strategically engage with non-state actors. The Project will build on transparency, accountability and participation interventions implemented in the entire portfolio that include third party monitoring and verification systems (e.g. such as in the transport sector)					
	Resp: Both	**Status:** In Progress	**Stage:** Both	**Recurrent:** ☑	**Due Date:**	**Frequency:** CONTINUOUS
Project Risks						
Design	**Rating**	**Substantial**				
Risk Description: A project with many activities may be difficult to implement. A project which deals with skills development and sub-national planning and civil works may be complex at the design stage. On the other hand, the largest component on connectivity is relatively straightforward and in advanced stages of preparation and readiness for implementation.	**Risk Management:** The Road to be upgraded under Component 1 has been fully appraised and advance procurement is underway. The implementing agency has considerable capacity and is considered to be fully capable of implementing the project on time and on-budget given the already ongoing capacity strengthening under the bank financed TSDP. Costs are considered highly reliable based on recent bids obtained for the AfDB funded segment of the same road.					
	Resp: Client	**Status:** Completed	**Stage:** Both	**Recurrent:** ☑	**Due Date:**	**Frequency:** CONTINUOUS
	Risk Management: Component 2 was designed for maximum impact with limited geographic scope and limited menu of potential investments. A long list of sub-project investments have been identified ex ante and a screening process is in place for the selection of priority sub-projects with the highest returns. Implementation will be led by the MoLHUD with the involvement of local government. The procurement will also take a centralized approach to reduce the implementation burden on weak local governments. The component has a close link to the World Bank financed USMID project which will help to ensure sustainability.					
	Resp:	**Status:**	**Stage:**	**Recurrent:**	**Due Date:**	**Frequency:**

<table>
<tr><td rowspan="4"></td><td>Client</td><td>Completed</td><td>Both</td><td>☑</td><td></td><td>CONTINUOUS</td></tr>
<tr><td colspan="6">Risk Management:
Component 3 activities are designed around the Skilling Uganda strategy to develop centers of excellence for BTVET education. The specific activities are based on strategic plans for each college supported under the project. Sustainability will hinge on broader support to the sector being provided by the World Bank under the Uganda Skills Development Project. Sustainability will also hinge on the development of a sustainable financing mechanism for the institutes through broader support to generate funds through a skills levy under the aforementioned IDA financed Skills Development Project. Further, the project will support the institutes to raise its financial resources through fee-for-service and other revenue generating activities.</td></tr>
<tr><td>Resp:</td><td>Status:</td><td>Stage:</td><td>Recurrent:</td><td>Due Date:</td><td>Frequency:</td></tr>
<tr><td>Client</td><td>Completed</td><td>Both</td><td>☑</td><td></td><td>CONTINUOUS</td></tr>
<tr><td>Social and Environmental</td><td>Rating</td><td colspan="5">Moderate</td></tr>
<tr><td rowspan="4">Risk Description:

Lack of adequate capacity to implement social and environmental risk mitigation measures identified through the environmental and social management framework developed for the project could lead to high level of residual impacts from implementing project activities, or undermine project results if the necessary safeguard measures are not fully implemented.</td><td colspan="6">Risk Management:
An environmental and social management framework and resettlement policy framework has been prepared as part of project preparation and will guide project implementation and preparation of specific environmental and social assessments and RAPs for components 2 and 3. Environmental and social impacts are expected to be minimal under these components and there is expected to be minimal land acquisition of project affected people.</td></tr>
<tr><td>Resp:</td><td>Status:</td><td>Stage:</td><td>Recurrent:</td><td>Due Date:</td><td>Frequency:</td></tr>
<tr><td>Both</td><td>In Progress</td><td>Both</td><td>☑</td><td></td><td>CONTINUOUS</td></tr>
<tr><td colspan="6">Risk Management:
For component 1, an EIA and RAP has been prepared and approved prior to appraisal. The nature of proposed investments is not likely to pose significant social and environmental risks and is therefore classified as Category B. UNRA is considered to have the capacity to implement the RAP and EISA recommendations. Government has</td></tr>
</table>

<table>
<tr><td rowspan="2"></td><td colspan="6">committed to providing funds for implementation of the RAP.</td></tr>
<tr><td>Resp:
Both</td><td>Status:
In Progress</td><td>Stage:
Both</td><td>Recurrent:
☑</td><td>Due Date:</td><td>Frequency:
CONTINUOUS</td></tr>
<tr><td>Program and Donor</td><td>Rating</td><td colspan="5">Moderate</td></tr>
<tr><td rowspan="4">Risk Description:

Coordination with other Development Partners/institutions across sectors working in the project’s geographic area will be required. The multi-sector nature of the project also requires that there is coordination across sectors to ensure no duplication of effort and to ensure consistency of approaches.</td><td colspan="6">Risk Management:
The Project is considered to be consistent with the CPS. Preparation included continued dialogue with other Development Partners to ensure there is no duplication of activities and frequent consultations were undertaken with the private sector, especially the oil companies active in the region to find opportunities for synergy.</td></tr>
<tr><td>Resp:
Bank</td><td>Status:
In Progress</td><td>Stage:
Both</td><td>Recurrent:
☑</td><td>Due Date:</td><td>Frequency:
CONTINUOUS</td></tr>
<tr><td colspan="6">Risk Management:
Particular coordination with AfDB has been undertaken due to the road component. Consultation will continue during implementation.</td></tr>
<tr><td>Resp:
Both</td><td>Status:
In Progress</td><td>Stage:</td><td>Recurrent:
☑</td><td>Due Date:</td><td>Frequency:
CONTINUOUS</td></tr>
<tr><td>Delivery Monitoring and Sustainability</td><td>Rating</td><td colspan="5">Moderate</td></tr>
<tr><td rowspan="3">Risk Description:

With multiple implementing entities, consolidation of monitoring reports will pose a challenge.

Sustainability will depend on continuity of presence in the various sectors.</td><td colspan="6">Risk Management:
A project steering committee will be formed to consolidate the quarterly progress reports, review implementation progress across components and serve as the primary, inter-institutional interlocutor for the project.</td></tr>
<tr><td>Resp:
Both</td><td>Status:
In Progress</td><td>Stage:
Implementation</td><td>Recurrent:
☑</td><td>Due Date:</td><td>Frequency:
CONTINUOUS</td></tr>
<tr><td colspan="6">Risk Management:</td></tr>
</table>

<table>
<tr><td rowspan="3"></td><td colspan="6">The project components have been designed for sustainability. Component 1 is a part of the GoU's overall investment strategy for the roads sector. Component 2 will be implemented by the same group within the MoLHUD implementing the Bank's USMID PforR operation for local government. With time, the targeted local governments in the region could be included in a future PforR grant program and this will lay the groundwork to build their capacity. The skills component dovetails with a larger skills project being prepared for Uganda for delivery in FY15. The two are complementary in nature and the focus on governance reforms will facilitate linkages with the private sector and ensure that new training programs are relevant to the skills demand and of good quality.</td></tr>
<tr><td>Resp:</td><td>Status:</td><td>Stage:</td><td>Recurrent:</td><td>Due Date:</td><td>Frequency:</td></tr>
<tr><td>Both</td><td>In Progress</td><td>Implementation</td><td>✓</td><td></td><td>CONTINUOUS</td></tr>
<tr><td colspan="7">Overall Risk</td></tr>
<tr><td>Overall Implementation Risk:</td><td>Rating</td><td colspan="5">Substantial</td></tr>
<tr><td colspan="7">Risk Description:

Overall implementation risk is considered to be substantial. The main implementation risks are due to country risk, risk associated with development in the oil region of the country and potential for high expectations, the multi-sector nature of the project and the potentially complex institutional arrangements to implement the project through multiple institutions.

Despite being a multi-sector project, each component is designed to be implemented independently so that no one component will delay another. The constitution of a steering committee will help to ensure there is some synergy between the components and the overall project is consistent with GoU objectives to provide economic opportunities in the Albertine Region with the understanding that expectations are high around the oil development. The weakness of local governments and of the BTVET sector put these two components at the highest risk of not achieving their objectives. The project design seeks to compensate for these weaknesses by providing support to local government through the MoLHUD and the on-going WB financed USMID project. Similarly, the BTVET component is based on extensive upstream sector work and can be seen in some respects as a geographically targeted pilot of the Skilling Uganda strategy and will be indirectly supported by the larger, national BTVET project under preparation for Uganda. These two aspects add an element of long-term sustainability to the two components. The Roads component is being implemented by a much stronger implementing entity and is consistent with the GoU's strategy for upgrading of national road infrastructure. The risks are mitigated by the link of all components to broader sector initiatives and projects, the de-linking of the project specifically to oil sector development (minimizing the political economy risks) and the independent implementation nature of each component and the relatively simple project design.</td></tr>
</table>

Risk of delay in procurement is another risk, but this has been mitigated by advance procurement of Component 1. The readiness of this road sub-project should reduce potential for delays in implementation and this represents about 70% of the total project cost. Supervision on the Bank sides poses some risk due to the need to have a multi-sector team with a variety of skills. However, these skills are found in the Country Office which should facilitate implementation and quality of supervision.

Annex 5: Implementation Support Plan

UGANDA: Albertine Region Sustainable Development Project

Strategy and Approach for Implementation Support

1. The Project strategy for implementation support will include the following.

- A core multi-sector team will be in place to provide support to the GoU in the implementation of the project. This team is largely decentralized and based in the Kampala office and includes: procurement; financial management; environmental and social safeguards; education, local government and engineering specialists.
- In the first year of implementation there will be at least three support missions. This will include the initial launch mission and two additional implementation support missions during the first year.
- At least two implementation support missions will be conducted annually following the first year of implementation.
- Quarterly progress reports will be submitted to the World Bank. These will be followed-up with video conferences as necessary with the implementing agencies between official implementation support missions.

Implementation Support Plan

2. As this is a multi-sector project, the implementation support will be substantial and resources required to provided adequate support are expected to be higher than average.

Time	***Focus***	***Skills Needed***	***Resource Estimate***	***Partner Role***
First twelve months	• Ensure the implementing agencies are adequately staffed • Ensure advanced procurement actions are completed and all procurement plans are adequately implemented • Ensure all first year contracts are fully in place and work progressing according to timelines – in particular the Road Construction Contract and supervision contract; Component 2 planning and engineering contracts; Component 3 contracts for twinning	• Team specialists including education, engineering and local government • Procurement • Financial Management • Safeguards	BB: $250,000	NA

	arrangements.			
12-48 months	• Execution of the Road Contract under Component 1 • Ensure planning and infrastructure sub-components in Component 2 are underway and effectively monitored; • Ensure Bursaries sub-component is effective; • Ensure effective implementation of safeguards instruments; • Ensure implementing agencies are effectively monitoring the project progress and impacts	• Core team skills of local government, engineering and education • M&E Expert to be included in several missions • Procurement • Financial Management • Environmental and Social Safeguards	BB: $150,000 per year	NA
Other				

Skills Mix Required

Skills Needed	Number of Staff Weeks	Number of Trips	Comments
Task Team Leader	8 per year	2-3 per year	
Education Specialist	8 per year	2 per year	Specialist is based in Country Office
Engineer	8 per year	2 per year	To supervise Road construction and Component 2 sub-project infrastructure projects. Currently based in Country Office, but need to recruit replacement due to retirement
Local Government Specialist	6 per year	2 per year	Specialist based in Country Office
Urban Planner	4 per year	2 per year	Staff Based in Washington
Private Sector Development Specialist	1 per year	1 per year	To ensure BTVET component link to private sector is adequate
Procurement	4 per year	2 per year	Specialist is based in Country Office
Financial Management	4 per year	2 per year	Specialist is based in Country Office
Environmental Safeguards	4 per year	2 per year	Specialist is based in Country Office
Social Safeguards Specialist	4 per year	2 per year	Specialist is based in Country Office

Annex 6: Economic Analysis

Component 1: Upgrading of Kyenjojo-Kabwoya Road (100 km) to Bituminous Standards

1. **Introduction.** Part of the ARSDP loan proceeds will be allocated to finance the upgrading of the Kyenjojo-Kabwoya road to bituminous standards. This annex summarizes an economic analysis of the subproject, which was undertaken using the Highway Development and Management Model (HDM-4). It first presents the economic costs of the subproject for two design standards (double bituminous surface treatment and asphalt concrete). This is followed by a description of economic benefits, which mainly consist of the quantifiable benefits from travel time savings and reduced vehicle operating costs. The annex concludes with a summary of the results of the economic analysis, and sensitivity of the results to unfavorable changes in key parameters. The analysis covered the 24-year period from 2014 to 2037, including a four-year construction period (2014-2017). All costs and benefits were expressed in constant economic prices.

Subproject cost

2. **Proposed interventions.** The current road is a gravel road in poor condition. The ASDRP loan will finance the construction of a new sub-grade, installation of drainage structures, sub-base, base and a bituminous surfacing for the main carriageway and its shoulders, and (ii) the upgrading of road furniture. Economic analysis was undertaken for two alternative design standards:

- A: Double Bituminous Surface Treatment (DBST) on 200mm crushed stone base course, 150mm mechanically stabilized sub-base, 150mm natural gravel sub grade and 550mm selected layer to be added in locations where subgrade is unsuitable.
- B: 50mm Asphalt Concrete (AC) on 200mm crushed stone base course, 150mm mechanically stabilized sub-base and 150mm natural gravel sub grade and 550mm selected layer to be added in locations where subgrade is unsuitable.

3. **Investment cost.** The financial cost of Alternative A was prepared by the UNRA based on bid prices received for undertaking the subproject, and adding allowances for physical contingencies, price contingencies, construction supervision and project management. The financial cost of the (more costly) Alternative B was based on estimates prepared by a consultant commissioned by UNRA to prepare a feasibility study for the Kyenjojo-Kigumba road, of which the Kyenjojo-Kabwoya road is a subsection.[23] For each alternative, the economic cost was derived from the financial cost using a conversion factor of 0.86 (the estimation of the conversion factor is described in detail in Chapter 4 of the feasibility study prepared by the consultant commissioned by UNRA). As shown in Table 3A-1, the economic investment cost of Alternative A (US$ 62.4 million) was substantially lower than the cost of Alternative B (US$78.8 million). For both alternatives, the residual value of the subproject was estimated at 20 percent of the investment cost, to be realized at the end of the 20-year economic lifetime.

[23] *Upgrading Roads to Bituminous Standards Lot D: Feasibility Study and Design. Lot D2: Kyenjojo-Hoima-Masindi-Kigumba Detailed Design Report*. Uganda National Roads Authority. Kampala, May 2012.

Table 3A-1: Investment Cost of Upgrading of Kyenjojo-Kabwoya Road

Description	Total Cost (US$ million)		Cost/km (US$ '000)	
	Alternative A	Alternative B	Alternative A	Alternative B
Financial investment cost*	87.0	110.0	870	1,100
Economic investment cost	62.4	78.8	624	788

Source: UNRA estimates (December 2013)

* Includes 10% of physical and 20% of price contingencies (economic investment cost includes 10% physical contingencies only).

4. **Maintenance cost.** For each alternative, the assumed maintenance standard was the standard routine and periodic maintenance schedule provided by HDM-4. Total maintenance costs were therefore approximately the same for Alternatives A and B (the annual routine maintenance cost was estimated at about 2 percent of the investment cost).

Subproject Benefits

5. **Economic benefits of road projects.** At its most basic level, roads are constructed (or improved) to lower transport costs. The economic benefits of lower transport costs can be classified as follows:

- **Road user benefits.** These are the direct benefits of a road project to existing and new road users, and mainly consist of: (i) reduction in vehicle operating costs (such as fuel and maintenance costs), and (ii) travel time savings (which are normally derived from average hourly wage rates).
- **Exogenous benefits.** These are indirect benefits of a road project on persons living in the area affected by the road project (also called "area of influence"), in addition to direct user benefits. The exogenous benefits of a road project mainly consist of: (i) reductions in the price of goods shipped to the "area of influence" by road transport (assuming that at least part of the reduction in transport costs are passed on to the customer, which is normally the case in competitive transport markets), and (ii) increased economic activity caused by lower road transport costs. These benefits were conservatively excluded from the estimation of subproject benefits.

6. **Road user benefits.** These consist of economic benefits of the subproject to:

- **Normal traffic.** This is of traffic that would be present also in the absence of the proposed subproject (the subproject would benefit normal traffic through reductions in travel time, vehicle operating costs and accident costs). At present, annual average daily traffic (AADT) is in the order of 600-900 vehicles per day (Table 3A-2).
- **Diverted traffic.** This is traffic diverted from previously longer routes to the upgraded road. The proposed project offers enormous distance and journey time savings for traffic with trip ending in zones southwest of Kyenjojo (Fort Portal, southwestern Uganda and eastern DRC) and in zones north of Kigumba (Gulu, Sudan, and northeastern DRC). The distance between Kyenjojo and Kigumba via Kampala is approximately 485 km; via the proposed road it is 234 km, a saving of 251 km. Under current road conditions the journey from Kigumba to Kyenjojo takes roughly six hours. However, truck-trailers and

semi-trailers find the alignment and surface conditions on the Kyenjojo-Kabwoya difficult and hardly use them. Once the entire link is completed, it is expected that up to 50 vehicles per day will be diverted from the link via Kampala.

- **Generated traffic.** This is traffic that arises because of the existence of the upgraded road. For the proposed subproject, it consists of: (i) increases in normal traffic due to better road conditions (these increases were conservatively estimated at 30 percent for passenger traffic and 15% for goods traffic), and (ii) increases in traffic volumes generated by oil production. It was assumed that 21% of oil transport vehicles leaving the proposed refinery near Hoima will use the Kyenjojo-Kabwoya road (or approximately 100 tankers per day, in both directions).

7. Refer to Table 3A-2 for estimates of average annual daily traffic (AADT) on the Kyenjojo-Kagadi and Kagadi-Kiziranfumbi links (AADT figures were not available for Kagadi-Kabwoya; Kiziranfumbi is located 18 km northeast of Kabwoya).

Table 3A-2: AADT on Kyenjojo-Kagadi and Kagadi-Kiziranfumbi, 2011

Road Link	Motorized Traffic	Non-Motorized Traffic	Total AADT	% AADT Motorized
Kyenjojo-Kagadi	509	373	882	58
Kagadi- Kiziranfumbi	221	327	548	40

Source: UNRA (May 2012)
* Annual average daily traffic

8. **Valuation of road user benefits.** Using HDM-4, the present value of road user benefits was estimated at about US$67 million for both alternatives. About 55% of these benefits consist of travel time savings and reduced vehicle operating costs (lower fuel costs and lower maintenance costs) of motorized vehicles that would be diverted from the Kyenjojo-Kampala-Kigumba link to the much shorter Kyenjojo- Kigumba link. Most of the remaining benefits accrue to generated traffic (40%). For all vehicle types, assumed traffic growth rates were 5 percent p.a. from 2018-2022, 7 percent p.a. from 2023-2027, 6 percent p.a. for 2028-2032, and 5 percent p.a. from 2033 onwards. These growth rates are the same as rates that UNRA agreed in January 2013 with the African Development Bank, which is financing the upgrading of the 138 km Kabwoya-Kigumba road.

Results of the Economic Analysis

9. **Base case scenario.** A subproject is deemed economically feasible if the economic net present value (ENPV) of the subproject's discounted (net) benefit streams is at least zero, or if economic internal rate of return (EIRR) of these benefit streams exceeds the discount rate of 12 percent. For Alternative A (DBST), the EIRR was estimated at 17.9 percent and the ENPV at US$ 26.7 million. For Alternative B (asphalt concrete), the EIRR was estimated at 15.1 percent and the ENPV at US$ 16.7 million. This means that the project is deemed economically feasible for both alternatives. Because the net economic benefits of Alternative A were highest, this alternative was selected by the Government of Uganda as the preferred design option.

10. **Sensitivity analysis.** Sensitivity tests were conducted to assess the impact of unfavorable changes to key parameters on the economic feasibility of the subproject. The following changes were considered:

- lower than expected traffic volumes,
- higher than expected investment costs, and
- combinations of the above.

As shown in Table 3A-3 below, Alternative A would remain economically feasible with 20 percent higher investment costs, 20 lower traffic volumes, and a combination of a 10 percent higher investment cost and a 10 percent lower traffic volume. Only a worst-case scenario with a 20 percent higher investment cost and a 20 percent lower traffic volume would cause the EIRR of the subproject to drop below the minimum required rate of 12 percent. Alternative B is more sensitive to unfavorable changes to key parameters. It would not be feasible if traffic volumes would be lower than expected, or at combinations of reduced traffic volumes and increased investment cost of 10 percent or more.

Table 3A-3: Sensitivity of Subproject EIRR to Unfavorable Changes in Key Parameters

Case	EIRR (%)*	
	Alternative A (DBST)	Alternative B (AC)
Base case	**17.9**	**15.1**
Investment cost +10%	16.7	14.0
Investment cost +20%	15.7	13.1
Traffic volume -10%	15.2	12.5
Traffic volume -20%	12.4	9.9
Investment cost +10% and traffic volume -10%	14.2	11.5
Investment cost +20% and traffic volume -20%	10.7	8.3

Source: UNRA estimates (December 2013)
* Areas shaded in grey indicate EIRRs below the minimum required value of 12 percent.

11. **Robustness of subproject feasibility.** As shown in Table 3A-3, the EIRR of the selected alternative (DBST) will only remain below the threshold value of 12 percent in case of highly unfavorable changes to both the project investment cost and traffic volume. It was considered highly unlikely that such a scenario would materialize for the following reasons (other than the substantial margin between base case EIRR and minimum required EIRR):

- the estimated cost of the preferred design option (DBST) included a substantial allowance for physical contingencies (10% of the engineer's base cost),
- the estimation of "base case" economic benefits was based on conservative increases in traffic volumes (during 2001-2008, traffic volumes on all paved roads in Uganda increased by 8.7 percent per annum, which is substantially higher than the annual growth rates of 5 to 7 percent assumed for the subproject), and

- the EIRRs do not capture the potentially substantial exogenous benefits arising from reductions in prices of locally produced commodities that the subproject is likely to cause.

Component 2: Rationale for Sub-Project Selection of Local Infrastructure

12. **Socio-economic conditions.** Component 2 will finance investments in physical planning and local infrastructure in Hoima District Council, Buliisa District Council and Buliisa Town Council. Taken together, the three councils have an estimated population of about 0.65 million in 2013, of which over 85% is living in Hoima DC. The vast majority of the population lives in rural areas, and none of the few urban centers in the project area has a population of more than 20,000 (Hoima DC estimates its current urbanization rate at 9% p.a.). Population densities range from over 100 persons/km^2 in central Hoima to fewer than 20 persons/km^2 in most parts of Buliisa. At present, most of the labor force in the three councils is employed in the agricultural sector. Although the project area produces some commercial crops (notably sugarcane, tobacco and cotton), the vast majority of the population continue to rely on subsistence farming. In 2005, rural poverty in the three councils was estimated at 39.1%, which was substantially higher than the national average (31%). Most of the area remains geographically isolated from the rest of the country. By the end of 2013, there were only two paved roads in Hoima DC (the road from Hoima toward Kampala, and the recently completed road from Hoima to Kaiso-Tonya, where oil developments take place) and none in Buliisa.

13. **Population developments.** Because the most recent census was undertaken in 2002, estimates of current population figures are indicative. There is, however, a consensus that the population in the project area has increased at a higher rate than the national average (4.4% against 3.5% for Uganda as a whole during 2002-2011), and will increase at even higher rates in the short and medium term as new oil and gas developments are likely to attract an influx of immigrants in search of job opportunities. Conservatively assuming that immigration would cause a 1% increase in the average annual population growth rate of 2002-2011it is estimated that most immigrants (about 65,000) and 25% of the natural increase (about 60,000) during this period will consist of persons in the age group of 18-30 years.[24] This is substantially higher than the total number of jobs generated by oil and gas projects in the entire Albertine Region (about 100,000). The councils in the project area are therefore faced with the twin challenge of providing public infrastructure services and employment opportunities to a young and rapidly growing population and to a substantial number of job-seeking immigrants.

14. **Selecting investments in public infrastructure.** At present, the level of public services in the project area is low by most standards (most roads are unpaved and in poor condition, none of the urban centers has access to piped water, organized solid waste collection and wastewater treatment are non-existent, and Buliisa was not connected to the national electricity grid until late 2013). The total amount of funds available for Component 2 can only finance a small portion of the immediate infrastructure needs of the area. The GoU therefore requested the Bank to concentrate funds on a small number of large and transformative investments. It was agreed that the component would finance investments in local roads and economic infrastructure (defined as

[24] The assumption of 25% was based on the five-year development plan of Hoima DLG, which accounts for 85% of the total population in the project area. In 2011, 23% of the population of the DC was in the 18-30 year age group.

markets, fish landings, storage facilities and slaughterhouses). These types of investments were selected based on the following selection principles:

- **Consistency with local government development priorities.** All three councils accorded a high priority to roads. Hoima DC also favored investments in slaughterhouses. Markets are a priority for Buliisa DC and TC.
- **Supportive of employment creation.** Although the oil and gas industry is expected to generate a substantial number of jobs, over 75% of these jobs are so-called "induced jobs". These are jobs that are generated from the reinvestment of revenue from the oil and gas sector in a variety of unrelated industries (hotels, banking, finance, medical services etc.). Moreover, in spite of the substantial oil and gas development, the agricultural sector will remain the most important employer in the project area. Local roads facilitate the creation of induced jobs (by providing better connectivity between the oil and gas industry and service providers based in the project area) and lower transport costs, which increases the competitiveness of the agricultural sector. Investments in economic infrastructure will further enhance the trade of agricultural products.
- **Complementarity with other project components.** Component 1 connects improved local roads to the national road network (and therefore increases the economic benefits of the roads), whereas Component 3 provides the population in the project area with the skills to be employed by the oil and gas industry, either directly or indirectly.
- **Complementarity with projects financed from other sources.** Several development priorities mentioned by the councils are either already funded by other development partners or other Bank-financed projects (rural electrification, water supply).

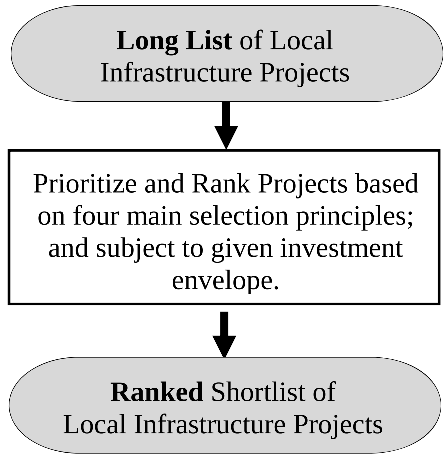
15. **Investments approach for road infrastructure.** In view of central and local development priorities, it is likely most investments in local infrastructure will be in roads. Within this sector, the investments will focus on resolving "bottlenecks", the main reasons being:

- **High economic benefits.** Resolving a transport bottleneck (such as repairing a bridge or fixing a culvert) can greatly improve the accessibility of an area at a relatively low cost. Stated differently, the economic benefit/cost ratio (BCR) of such interventions is generally far higher than the BCR of the improvement or new construction of a road.
- **Limited maintenance requirements.** Local governments in Uganda do not have the budgetary resources at their disposal to adequately maintain roads. This is a major problem given that gravel roads (a logical alternative to investing in bottlenecks) rapidly deteriorate without maintenance; on average, it takes only two years for a gravel road to deteriorate from being in good condition (International Roughness Index of 10) to poor (IRI of 18). In contrast, bottlenecks require little or no maintenance.

16. **Prioritizing and shortlisting Local Infrastructure Projects.** The participating local councils have identified a preliminary long-list of local roads and economic infrastructure projects in consultation with central government agencies, and with reference to their five-year development plans. The selection of Component 2 sub-projects from this long list will be finalized and the potential economic benefits quantified during the first year of Project implementation. A process has been developed to shortlist and rank the investments. The sub-projects will be prioritized based on four principles: (i) development priority of local council

amongst supported investment categories; (ii) rehabilitation projects prioritized over new projects; (iii) possess existing connection to national roads; and (iv) lower cost per poor person served. In addition, the total costs for all sub-projects selected within a given local council should conform within its given investment envelope. (Figure 3B-1).

Figure 3B-1: Proposed Prioritization of Local Infrastructure Projects



Source: World Bank

17. **Example.** Council X has submitted a long list of 6 projects to be considered under ARSDP funding (Table 3B-2). The Council has a budget of US$5 million. To prioritize and rank the six projects, the following steps would need to be taken:

- Identify development priority of Local Council. Council X has indicated that market infrastructure has the highest priority over other types of public infrastructure investments.
- Identify projects that involve rehabilitation. These are Market B and Roads B, C and D. Because Council X has indicated that market infrastructure has the highest priority, Market B has the highest priority of the four projects, followed by bottleneck repair of Road C (which is more important than other types of road rehabilitation). Undertaking these two projects will use up US$3.4 million of the total available budget of US$5.0 million. The remainder of US$1.6 million is sufficient to undertake either Road B or Road D, but not both.
- Assess connectivity to national roads. Neither Road B nor Road D will connect to a national road, so this criterion cannot be used to differentiate the projects.
- Assess average cost per poor person served. Even through Road D has a higher cost than Road B, the cost per poor person served is lower (US$400) than for Road B (US$550). Council ABC should therefore undertake Road D (in addition to Market B and Road C).

Table 3B-2: Key Features of Shortlisted Projects of Council ADB (example)

Project (Rank)	Type	Cost Estimate (US$ million)	Connected to National Road?	# Poor in Affected Area	Cost/Poor Served (US$)
Market A (5)	New	3.0	Yes	5,000	600
Market B (1)	Rehabilitation	1.2	Yes	7,000	171
Road A (6)	New	3.0	Yes	3,000	1,000
Road B (4)	Rehabilitation	1.1	No	2,000	550
Road C (2)	Bottleneck repair	0.4	Yes	3,000	133
Road D (3)	Rehabilitation	1.4	No	3,500	400

Source: World Bank

18. This selection process will ensure that the chosen sub-projects will yield the highest returns. Benefits from this component are expected to provide better access to local and regional markets, particularly for farmers and fisherman which are the main livelihoods in the region. The construction and maintenance work will also provide income generating jobs to the local people. The upgrading of economic infrastructure and district roads could play a catalytic role in improving livelihoods and reducing poverty of the local people, especially when linked to improved regional access (Component 1).

Component 3: Economic Analysis

19. **Background.** One of the challenges that Uganda is facing in order to transform its human capital is to equip the labor force with the requisite skills to support transformation of the economy and its inclusiveness (another one is to ensure quality primary education and stronger transition to secondary education). Transformation will require a move into higher productivity activities and a gradual shift from low- to high-skilled labor (World Bank 2012).

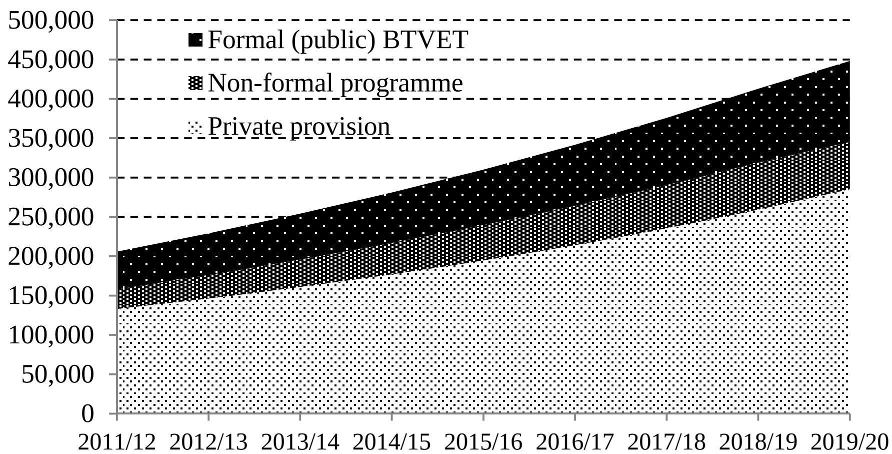
20. Uganda has had the world's fastest growing workforce with approximately 15 million individuals (with the world's most youthful population: 48.3 percent under age 15 in 2010, and with a welcome increase in female participation in employment). In Uganda, most of the labor force is in the agricultural sector and the non-agricultural informal sector, and the total number of off-farm jobs in businesses with a fixed location is just over 1 million (having grown fast over the past decade). At the same time, approximately 300,000 universities and technical college graduates every year have found it increasingly difficulty in obtaining appropriate employment. This situation confirms that the rate of job creation is slower than the growth in demand for appropriate jobs, largely due to the rapidly expanding size of the labor force. There is also a mismatch between demand and supply of labor forces in terms of market relevance (the skills of such job seekers and the demand for their skills by firms). Employment surveys also suggest that the majority of jobs are considered to be casual, providing only short periods of irregular employment. Uganda faces a challenge in creating 'good' jobs to support the country's economic transformation and to facilitate the achievement of social cohesion (World Bank 2013).

21. The emergence of the oil sector may have little direct impact on the numbers of jobs, given that the oil industry is capital intensive. However, the project expects that the development of this industry will have spill-over effects on other industries. Oil can contribute to job creation

in three ways: 1) Uganda can leverage oil to become a catalyst through inter-sectoral linkages with oil-related or highly energy intensive industries; 2) Uganda can build infrastructure that will enhance local development through well-targeted growth poles or clusters; and 3) Uganda can use oil revenues to promote non-oil, labor intensive activities and to support the provision of education and skilling programs to allow a larger proportion of the labor force to participate meaningfully in the production process (World Bank 2013).

22. **BTVET in Uganda.** Access to skills development opportunities is challenging. Low-income groups tend not to participate in Business, Technical, Vocational Education and Training (BTVET) training because of expensive fees and the high opportunity costs related to long training durations. In Uganda, training institutions are concentrated in the urban areas, which reduce the chances of the people in the rural areas, especially the poor female, to participate in organized training. The mobility of poor females is limited due to their gender roles and responsibilities (MoES 2011a). In fact, females only constitute about 25 percent of enrollment within public BTVET institutes currently. Females constitute only 10 percent of enrollments in Uganda Technical College of Kichwamba (UTC), for instance. The share of the BTVET budget out of total education budget has remained at the same level of around 4 percent recently (MoES 2011b). Over the coming years, enrollment in BTVET is expected to increase (Figure 1C-1). According to MoES (2011), total student enrollment is projected to more than double in less than 10 years (200,000 in 2011/12 to 450,000 in 2019/20). Enrollment in public BTVET institutions is estimated to increase from 48,000 in 2011/12 to 103,000 in 2019/20.

Figure 1C-1: Projection of BTVET Enrollment



Source: Ministry of Education and Sports (2011) p. 109, A-9.5: Total Enrolment Projections

23. In this situation, Uganda is in urgent need of upgrading skills of the labor force. Component 3 of the project particularly aims to upgrade skills of the youth by increasing access to good quality training particularly in oil and gas, construction, agriculture, tourism and health (nursing) sectors.

24. Table 1C-1 shows average monthly earning by level of education in 2005 and 2010. In general, when a person achieves higher levels of education qualification, their earning increase, both in 2005 and 2010. For instance, the average monthly earning for primary completers and lower secondary completers are UGX133, 124.4 and UGX198, 356.7 respectively while the

earning for TVET completer is UGX292, 156 in 2005. Average monthly earning for TVET completers is higher than those for primary, lower secondary and upper secondary completers.

Table 1C-1: Average earning by level of education (local currency, current price) for employed population of ages 15-64

Level of education	Average Monthly Earning	
	2005	2010
No education	68,486.8	64,714.1
Incomplete primary	80,980.4	89,972.3
Completed primary	133,124.3	164,810.7
Completed lower secondary	198,356.7	205,811.5
Completed upper secondary	202,945.5	210,924.2
TVET	292,156.0	231,725.8
Higher education	544,816.4	530,214.2
Average	131,614.1	168,710.7

Source: World Bank's computation using Uganda National Panel Survey 2005 and 2010

25. **Rate of Return Analysis.** Table 1C-2 shows the rate of return to education by year of schooling and level of education in 2005 and 2010. Rate of return is calculated using data from Uganda National Panel Survey (UNPS) 2005 and 2010 and applying Mincerian regressions. It is estimated that the return to each additional year of schooling is 12.2 percent in 2010 while return to each additional year of schooling in 2005 is 11.2 percent. The rate of return for TVET qualifications was 20.3 percent higher than for upper secondary, 32.8 percent higher than for lower secondary, and 69.6 percent higher than for primary in 2010. These earning differentials suggest that investing in TVET will improve the future income streams of those who attain TVET qualifications.

Table 1C-2: Rate of Returns to Education (Years and Level): Mincerian Regression Dependent Variable: Natural log of earning

	Years of schooling		Level of education	
	2005	2010	2005	2010
Years of schooling	0.112	0.122		
	(18.87)***	(15.55)***		
Years of experience	0.003	0.107	0.010	0.109
	(0.26)	(7.02)***	(1.00)	(6.97)***
Years of experience squared	0.000	-0.002	-0.000	-0.002
	(0.49)	(5.57)***	(0.50)	(5.71)***
Gender (Male)	0.099	0.294	0.184	0.329
	(1.82)*	(3.39)***	(3.34)***	(3.71)***
Area of residence (Urban)	-0.450	0.478	-0.462	0.470
	(7.31)***	(5.75)***	(7.34)***	(5.69)***
Level of education (No education)				
Incomplete primary			0.113	0.273
			(1.68)*	(1.57)
Completed Primary			0.544	0.819
			(7.34)***	(4.64)***
Completed lower secondary			0.893	1.187
			(7.90)***	(6.19)***
Completed upper secondary			1.065	1.312
			(6.79)***	(4.08)***
TVET			1.417	1.515
			(12.39)***	(9.43)***
Higher Education			2.123	2.200
			(14.60)***	(10.62)***
Constant	10.604	8.998	10.810	9.164
	(80.11)***	(56.65)***	(80.30)***	(44.33)***
F	131.400	68.886	72.997	38.392
R2	0.265	0.347	0.263	0.348
N	3,063	1,099	3,063	1,099

Source: World Bank computation using Uganda National Panel Survey 2005 and 2010

26. **Cost-Benefit Analysis.** The project assesses costs and benefits associated with the Component 3. It uses the approach of comparing net value of costs with the net value of benefits. The cost-benefit analysis of this Component focuses on economic costs and benefits. Economic costs include total component cost (excluding cost for technical assistance) and private cost (school registration fees, uniforms and sport clothes, books and school supplies, costs to and from school, boarding fees and other expenses). Benefits of Component 3 are converted into economic value of wage premium of graduates of technical institutions. The main sources of data used in the analysis come from UNPS 2009/10. This component includes capacity building which makes it unquantifiable for standard cost-benefit analysis (including calculation of a net present value and internal rate of return). In particular, as described in the main section of the document, Component 3 aims to strengthen the capacity such as skills coordination with private sector and institute needs assessment in Albertine region). Therefore, although the benefit of some activities under Component 3 is not quantifiable in monetary terms, it will have tangible value added for the sustainability of the project.

27. **Cost stream.** Costs include project costs and private costs (school registration fees, uniforms and sport clothes, books and school supplies, costs to and from school, boarding fees and other expenses). Data from UNPS 2009/10 is used for estimation of private costs. Annual average private household cost per student for 2 year program is estimated at UGX 970,614.

Opportunity cost of foregone income per year during schoolings is estimated at UGX 2,469,738 on average.

28. **Benefit stream.** Benefits of the Component are estimated by increase in the number of graduates from technical institutions and by higher productivity and life-time earnings. Data from UNPS 2009/10 is used for estimating prospective wages of graduates. In 2010, average annual wages for completers of technical institutions for two year program is 3,459,203, and average annual wage for completers of technical institutions for 1 year program is 2,921,700.

29. **Assumption.** The cost benefit analysis is conducted under the following assumptions. The analysis takes into account only quantifiable benefits. As a result, the team assumes that the internal rate of return (IRR) that the project computes is a lower bound for the impact of the project.

- **Project cost and allocation over the project period:** Out of total of US$25 to be allocated to Component 3 over the project period, US$16.5 is used as a cost to expand physical capacity to increase access to institutions. Annual allocation across project period is as follows. FY2015: US$2.9 million, FY2016: US$ 2.4 million, FY2017: US$5.2 million, FY2018: US$5.0 million, FY2019: US$ 0.5 million and FY2020: US$ 0.5 million. The project assumes all the funds will be disbursed and spent as planned.
- **Exchange rate:** US$ 1 = UGX 2,500.
- **Direct costs:** Direct costs cover school registration fees, uniforms and sport clothes, books and school supplies, costs to and from school, boarding fees and other expenses. The costs are estimated from UNPS 2009/10 data.
- **Opportunity costs:** Opportunity costs represent a loss of productive capacity measured as a loss of earning for the individual that enroll for technical institutions. It assumes that a student would otherwise not be idle or unemployment. The opportunity costs are estimated from UNPS 2009/10 data.
- **Duration of Training Program:** The project assumes that an individual who attends UPIK or UTC takes 2 years to complete a program, and that an individual who receives bursaries and attend any of technical institutions in the country takes 1 year to complete the respective program.
- **Increase of access to institutions:** The project expects to increase annual enrollment from 60 to 150 in the targeted trades by 2018 at UPIK, and from zero to 150 in the targeted trades at UTC by 2018.
- **Number of youth who receive bursaries:** At the end of the project, it is expected that 600 students will receive bursaries.
- **Civil Works at UPIK and UTC:** The project expects that civil works at UPIK and UTC will complete and be functional by the end of the second year of the project. The project also assumes that annual maintenance cost for building is 1.5 percent of building cost for 40 years, and annual maintenance cost for equipment is 1.5 percent of equipment cost for 10 years.
- **Discount rate:** The project uses 11.5 percent as discount rate to calculate present value (a rate is based on Bank of Uganda Central Bank Rate).
- **Inflation rate:** The assumed inflation rate is 5 percent.
- **Annual wage increase:** The project assumes that annual wage increase is 4 percent.

- **Retirement Age:** The project assumes that retirement age is 60. No unemployment period between graduation and retirement.

30. **<u>Net Present Value (NPV) of Benefits, Costs and Internal Rate of Return.</u>** Based on the discount rate of 11.5 percent for the benefits and costs stream mentioned above, the present value of costs is UGX 39.3 billion and the present value of benefits is UGX 67.1 billion. The IRR associated with this NPV is 15.5 percent.

31. **Sensitivity Analysis.** A sensitivity analysis is also carried out under some scenarios. The project assumes that some students drop out from the training and will not benefit fully from the project intervention by following scenarios: a) 5 percent drop out from UPIK/UTC, b) 15 percent drop out from UPIK/UTC; c) 5 percent drop out of students who received bursaries; d) 15 percent drop out of students who receive bursaries; e) 5 percent dropout from UPIK/UTC and students who receive bursaries; and f) 15 percent dropout from UPIK/UTC and students who receive bursaries. As indicated in Table 1C-3, the NPV varies between UGX 16.9 billion and UGX 27.8 billion. Similarly, the IRR ranges from 14.1 percent in the pessimistic scenario to 15.5 in base scenario. These results suggest that the Component 3 is expected yield to economic returns and account for other potential benefits including the social benefits of education.

Table 1C-3: Sensitivity Analysis (Present value, UGX billion; IRR, %)

Scenario		Present Value of Total Cost	Present Value of Total Benefit	NPV	IRR
Base: No drop out		39.3	67.1	27.8	15.5
UPIC/UTC	(a) 5 percent drop out	39.3	65.2	25.9	15.2
	(b) 15 percent drop out	39.3	61.5	22.2	14.8
Bursaries	(c) 5 percent drop out	39.3	65.3	26.0	15.2
	(d) 15 percent drop out	39.3	61.8	22.5	14.8
All	(e) (a) + (c) above	39.3	63.4	24.1	15.0
	(f) (b) + (d) above	39.3	56.2	16.9	14.1

Source: World Bank team's computation.