Document of
THE WORLD BANK

FOR OFFICIAL USE ONLY

Report No. 21418

IMPLEMENTATION COMPLETION REPORT
(Core ICR)

ON A

CREDIT 2206-UG

IN THE AMOUNT OF SDR 20.7 (US$28.7 MILLION EQUIVALENT)

TO THE

REPUBLIC OF UGANDA

ON A FIRST URBAN PROJECT

PROJECT ID: P002933

L/C NUMBER: 22060

December 27, 2000

Water and Urban 1
Eastern and Southern Africa
Africa Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective June, 2000)

Currency Unit = Uganda Shillings (USh)
US$1.00 = USh 1,500

FISCAL YEAR

Government	July 1 – June 30
KCC	October 1 – September 30

ABBREVIATIONS AND ACRONYMS

CAS	Country Assistance Strategy
CBD	Central Business District
CSP	Country Strategy Paper
EIRR	Economic Internal Rate of Return
GTZ	Gesellschaft fuer Technische Zusammenarbeit
IDA	International Development Association
KCC	Kampala City Council
MLHUD	Ministry of Lands, Housing and Urban Development
MoFPED	Ministry of Finance, Planning and Economic Development
MoLG	Ministry of Local Government
NDF	Nordic Development Fund
NGO	Non Governmental Organization
PCU	Project Coordination Unit
PIP	Program Implementation Plan
SC	Steering Committee
SFR	Strategic Framework for Reform
UFUP	Uganda First Urban Project

Vice President	:	Callisto E. Madavo
Country Director	:	James W. Adams
Sector Manager	:	Jeffrey S. Racki
Task Team Leader	:	Lance Morrell

THE REPUBLIC OF UGANDA

IMPLEMENTATION COMPLETION REPORT

Table of Contents

Page No.

MAP IBRD NO. 22472

Project ID: P002933	*Project Name:* First Urban Project
Team Leader: Lance Morrell	*TL Unit:* AFTU1
ICR Type: Core ICR	*ICR Report Date:* December 21, 2000

1. Project Data

Name: First Urban Project *L/C/TF Number:* IDA-22060
Country/Department: Uganda *Region:* Africa Regional Office
Sector/sub-sector: UM- Urban Management

KEY DATES

			Original	*Revised/Actual*
PCD:	01/15/1987	*Effective:*	09/10/1991	11/21/1991
Appraisal:	05/02/1990	*MTR:*	12/31/1993	10/18/1993
Approval:	01/22/1991	*Closing:*	06/30/1998	06/30/2000

Borrower/Implementing Agency: GOVERNMENT/KAMPALA CITY COUNCIL/ MINISTRY OF LOCAL GOVERNMENT
Other Partners: Nordic Development Fund (NDF); Gesellschaft fuer Technische Zusammenarbeit (GTZ)

STAFF	Current	At Appraisal
Vice President:	Callisto E. Madavo	Edward V.K. Jaycox
Country Manager:	James W. Adams	Callisto E. Madavo
Sector Manager:	Jeffrey S. Racki	Jonathan Brown
Team Leader at ICR:	Lance Morrell	Richard Beardmore
ICR Primary Author:	Ephrem Asebe/Rowena Martinez	

2. Principal Performance Ratings

(HS=Highly Satisfactory, S=Satisfactory, U=Unsatisfactory, HL=Highly Likely, L=Likely, UN=Unlikely, HUN= Highly Unlikely, HU= Highly Unsatisfactory, H=High, SU=Substantial, M=Modest, N=Negligible)

Outcome:	*S*
Sustainability:	*L*
Institutional Development Impact:	*M*
Bank Performance:	*S*
Borrower Performance:	*S*

	QAG (if available)	ICR
Quality at Entry:	*N/A*	
Project at Risk at Any Time:	*YES*	

3. Assessment of Development Objective and Design, and of Quality at Entry

3.1 Original Objective:
The main objectives of the Project as stated in the SAR (Report No. 8921-UG, December 3, 1990) were to:(a) improve living conditions and alleviate poverty in Kampala; (b) improve urban financial management; (c) strengthen institutional capacity.

The project objectives were broadly in line with the IDA's long-term Country Assistance Strategy (CAS) for Uganda which since 1990 includes: (i) restoration of macro-economic stability; (ii) rehabilitation of physical infrastructure; and (iii) implementation of structural reforms and investments in productive and human resources to address long term development objectives. The project objectives were also *important* to the country, in particular to Kampala City Council (KCC) at the time when its financial base has substantially shrunk and its infrastructure and service delivery had deteriorated as a result of the past several years of civil strife and mismanagement.

Two key strategic concepts underlining the project concept were *decentralization and improved municipal infrastructure services.* At appraisal, the legal and policy environment for decentralization of the country were not yet fully articulated; but the Project anticipated such changes based on Government's pronouncements about its plan to foster far reaching decentralization. With respect to municipal infrastructure service delivery, however, the opposite happened. While the country's development strategy anticipates public sector reform and greater role for private sector participation, the design for improved infrastructure service delivery was based on provision of infrastructure services by departmental organizations themselves. As a result, during implementation, it was found necessary to re-align twice the project service delivery mechanism with the prevailing private sector led development strategy of the country's economy. This provided three distinct phases of project implementation.

The first re-alignment took place after the mid-term review articulated the need for alternative mechanisms of service delivery. Subsequently, the Project was formally restructured in November 1994 with a view of enabling KCC to deliver better basic municipal services through *contracting out to the private sector* and improve financial and operational performance and to reorganize KCC to be a service center demand responsive institution. The second re-alignment arose out of KCC's desire to deepen private sector based infrastructure service delivery. This led KCC to the formulation of its *Strategic Framework for Reform* (SFR) between November 1996 and July 1998. The SFR re-aligned KCC's development strategy to address changes in the national economic environment such as development in decentralization, the state of deterioration of its municipal service delivery, and inadequate remuneration of KCC due to low revenue base and collection and freeze in recruitment of staff.

Measured by the large number of components and the available competent staff, particularly at KCC, the Project as originally designed was *complex and demanding* for the implementing agencies. The anticipated high risks were to be mitigated through training and macro-economic recovery measures supported by IDA's restructuring operations. The remaining main risks, for example, the low remuneration which proved critical in capacity building, was highlighted. The lack of adequate counterpart fund on project implementation was identified and mitigating measures advised. However, the impact of the centralized implementation arrangement on KCC's ownership of Project was not adequately assessed; the Project Coordination Unit (PCU) was placed under a Steering Committee chaired by the Ministry of Finance and Economic Development with representatives of the implementing agencies.

3.2 Revised Objective:
Following IDA's mid-term review mission, the Project was restructured. However, since the original project development objectives were broad enough, there was no need to formally reformulate the project objectives. As a result, it was not found necessary to seek approval nor to report to the Executive Directors. Instead, it was agreed to urgently re-orient future activities of the Project on: (a) strengthening KCC's ability to better deliver, finance and maintain basic urban services for all Kampala residents, particularly the poor; (b) assisting KCC in getting demonstrable physical improvements on the ground aimed at gaining its credibility among the population it serves; and (c) strengthening the institutional capacity of sector institutions. It was also agreed that Uganda First Urban Project (UFUP) is primarily a KCC project and KCC must take full ownership. It was further found necessary to emphasize that both the PCU and KCC consultants were there to provide technical advice and to facilitate interaction with IDA and not to replace KCC.

3.3 Original Components:
The main project components were:(i) rehabilitation of urban infrastructure in Kampala including urban markets, refuse collection and disposal, maintenance of urban roads, storm drains and footpaths streets and drains and rehabilitation of selected office; (ii) urban land management including updated topographical mapping of Kampala, strengthening of urban investment planning and provision of serviced residential land (Kawaala Sites and Services); (iii) technical assistance and training for KCC, the Ministry of Local Government, and PPD staff and fund for project preparation for a small towns water and sanitation project; and (iv) financing for the preparation of a possible free standing IDA credit for a small towns water and sanitation project with primary focus on the rehabilitation and expansion and new construction of water supplies and sanitation facility in towns.

The above project components were reasonably related to the project objectives. The weakness of the capacity of the implementing agencies, particularly KCC and MLG, were recognized and the design of the Project attempted to augment administrative and financial management capacity through technical assistance. However, as noted above, the two components: provision of the rehabilitation of urban infrastructure and the technical assistance were envisioned within the traditional municipal service delivery paradigm based mainly on force account. Given the approach chosen, the delays experienced in equipment procurement was to cost KCC its standing among the citizens.

3.4 Revised Components:
During the Mid-term Review, it became evident that given the recent emphasis on decentralization, there was a need to refocus future project activities towards strengthening KCC's ability to better deliver, finance and maintain basic urban services. It was felt that there was an urgent need for KCC to show demonstrable physical improvements on the ground in order to regain some of its lost credibility with the population it serves. In addition, it was also recognized that KCC's operating efficiency could be increased by more actively involving the local private sector through contracting out various services and functions under the restructured project. It was determined that the project objectives would be best served by canceling the Kawaala Sites and Services component and reallocating the component's budget for more urgent improvements in basic municipal services and for institutional strengthening of KCC.

3.5 Quality at Entry:
At the time of project preparation, there was no Quality Assurance Group. Seen within the traditional municipal service delivery paradigm, the project objectives were generally consistent with the country's assistance strategy (Country Strategy Paper) and the Government's commitment to improve infrastructure service delivery. However, the ICR assess the quality at entry as *unsatisfactory*. The service delivery mechanism was not aligned with the emerging trend towards involving the private sector in service delivery and was not responsive to the aspiration of people for rapid improvement in the deteriorated municipal infrastructure services.

Assumption about the procurement processing capacity proved to be overall optimistic. For almost three years after Project effectiveness no improvement in infrastructure service was evidenced under the Project. Moreover, the centralized implementation arrangement was not aligned with progressive decentralization policy stance of the Government and had to be re-aligned in the last years of the project implementation by transferring full ownership to KCC.

As originally designed, performance measurements were also weak. The Project was more focused on outputs as opposed on outcome/impact. It was not until the *Strategic Framework for Reform*, performance measures became focused on efficiency and effectiveness. Such measures included less public complaints, savings from unproductive assets, more taxes from private sector growth and reduction of KCC establishment, etc. (Annex1). At the time of appraisal, the Bank had no specific safeguard policies with regard to such matters on environmental assessment and involuntary resettlement. However, since there was a resettlement component at Kawaala, an acceptable resettlement plan was required to be submitted by Government as a condition of disbursement. This component was dropped when the Project was restructured for lack of community support.

4. Achievement of Objective and Outputs

4.1 Outcome/achievement of objective:
Overall Assessment. Based on outcomes of the achievements over three phases of project implementation, overall outcome /achievement/ is assessed as *satisfactory*.

Achievements of Phase One of Project Implementation. (Effectiveness, November 1991, to the end of project restructuring and NDF technical assistance (TA) program and effective start of the restructure project, July 1995). This period cover the restructuring of KCC and the implementation of the NDF-financed TA capacity building program. The outcome of this phase was on the whole *unsatisfactory*.

With respect to KCC, this period was mainly focused on procurement processing and training of KCC's staff. Procurement process took a long time which adversely affected project implementation and had a demoralizing effect on staff and the beneficiaries due to lack of equipment. In addition, planned activities like market towns, road maintenance, refuse collection and training suffered because of the delays in processing procurement which resulted to a deterioration of public support for KCC. The Kawaala Sites and Services was dropped from the Project due to lack of political support to address the land rights issues and lack of public trust.

The technical assistance supported by some US$4.6 million was provided by NDF. An evaluation of the outcome/impact of the technical assistance component was undertaken by NDF in October 1996, a year after the technical assistance was withdrawn. The review concluded that from the stand point of sustainable development, the TA provided to KCC failed to achieve its objectives. According to the report, "the activities of this period, with few exceptions, left few

tangible results in terms of documentation, training manuals, new skills and expertise, and new management routines and procedures in place to benefit KCC after the expert left".

On the other hand, there were some significant exceptions such as the TA for training and strengthening of the valuation section under the City's Treasury which led to significant improved revenue collection. The TA support to MLG also resulted in a manual for financial management which was distributed to local governments. A manual for the Tender Board was also prepared. More importantly, the exposure of a large number of KCC staff and council members to new approaches and ideals of what municipal service delivery should be, created a significant re-orientation of KCC staff and helped foster in future years the new direction of reform that took place within KCC, which resulted in SFR. This perspective had not clearly emerged at the time NDF did its evaluation study.

Achievements of Phase Two of Project Implementation. (July 1995 to June 1998)
Achievement of objectives during phase two was *satisfactory*. With the delivery of the procured equipment, and the completion of processing of bids for civil works, this phase saw completion of some of the civil works planned under the Project including improvement of the urban markets, solid waste management, urban roads and drain maintenance. Most important for KCC, this was a period of soul searching. With an ongoing dialogue with the Bank, KCC took increasing ownership of the Project and went on to develop, its *Strategic Framework for Reform* based on wide participation of stakeholders. The outcome and commitments shown during this period led the Bank to extend the Project closing date by two years from July 1, 1998 to June 30, 2000.

Achievements of Phase Three of Project Implementation (July 1998 to June 30, 2000). The outcome of phase three, the period of SFR implementation, is assessed as *highly satisfactory*. This period saw KCC, with the support of Kirklees Technical Cooperation, taking full ownership of the Project. In addition, to completing the remaining civil works under UFUP, KCC tested the New Solid Waste Ordinance (1999) passed by KCC which allowed the private sector to participate in the provision of solid waste management services in Kampala District. The pilot refuse collection service in Makindye Division was financed under UFUP and was well designed. The result of the pilot indicated that Makindaye Division can offer a lower unit cost if they contract out the refuse collection. KCC also undertook successfully the preparation of the Nakivubo Channel Rehabilitation Project-Cr. 3203 (NCRP) and Component 3 of the Local Government Development Program-Cr. 3295 (LGDP) including their respective Project Implementation Plans (PIPs). These projects are now under implementation and appear to be progressing well.

4.2 Outputs by components. (Annex 1)

A. KCC Infrastructure Rehabilitation

Urban Markets. Some 25,000 vendors now benefit from the rehabilitation of the markets. The hand over of all three markets, Owino, Bugolobi, Natete, was effected by July 30, 1997 within budget. The operation of these markets had significantly helped improve the living condition of the people of Kampala. Under the Project, more lockup stalls, stall sheds, offloading sheds, toilet and administration blocks were provided than planned at appraisal. It is estimated that on the average a vendor who owns a stall can earn an income of Ush 5000 per day or about 25% more than a primary school teacher. Beneficiary participation in the design and execution of this component was highly significant. Upgrading of these urban markets under the Project had led to an increase attraction of customers. This in turn has led vendors in Nakawa, Kabalagala, Kiseka, Makerere-Kivulu, and Kamwokya markets to improve their respective markets on self-help basis.

A major shortcoming is that there is flooding during heavy rains in Owino Market, but this is expected to be relieved by the rehabilitation of the Nakivubo Channel.

Solid Waste Management. The deployment of some 550 skips and 30 transport refuse collection vehicles has made it possible for KCC to increase its waste disposal operation by 100%. As a result, solid waste management in the city has improved significantly, resulted in wider coverage area and in the City's compliance with the environment regulations. KCC's policy under SFR to use private firms for refuse collection and disposal had elicited positive responses. Prior to project closing, some 13 private firms were collecting refuse for a fee directly from the beneficiaries. With the passage of the New Solid Waste Ordinance, KCC has taken a step forward in encouraging private sector participation in the provision of solid waste management in line with its SFR policy of encouraging private sector participation. Land fill management has been contracted out; and private refuse collection service has been piloted in Makindaye Division with encouraging results.

Road and Drains Maintenance. The improvement of the road network under the Project has significantly improved the flow of traffic in Kampala. Some 45 km of bitumen and 27 km gravel roads were rehabilitated. An additional 120 km bitumen roads and the related drains had received routine maintenance. All these have contributed towards the city's effort to improve its relative standing to attracting investment.

Rehabilitation of Selected Office/Workshop Accommodation.
Capacity in improved equipment management has been created by rehabilitating five depots and a mechanical workshop. In addition, the KCC training center has been rehabilitated and the roof repair started under an earlier Bank-financed Uganda Second Water Supply Project (Cr. 2124-UG) has been completed.

B. Urban Land Management

A topographical mapping of Kampala has been undertaken. The map has been useful to produce outline of structure plans and area development plans for Kampala. The *Kampala Structure Plan,* 1994, provided pilot projects for interventions which were implemented – a road and piped water in Bukasa parish, Makindaye Division, a drain rehabilitation in Kasubi parish. Also, detailed plans were prepared for Mulang II and Luwafu parishes under Kampala Structure Plan. However, there were no follow-up activities initiated due to institutional capacity. The provision of serviced residential land in Kawaala was abandoned after three years for lack of community support for the project related conflicts over land rights.

C. Urban Financial Management

Significant improvement in financial management systems and revenue collection has been achieved under the Project. The improvement in financial management system brought about production of realistic budgets, introduction of cost center budgeting, curbing forgery and preparation of timely financial statements with the use of computerized receipts at divisional cash offices. The improvement in revenue collection was due to the private participation in collection activities. In the area of trade license, graduate tax, property and ground rent date capture update has been started about the Project closing date. The revenue collection has improved by more than three fold from Ush 5.22 billion in 1991/92 to Ush 16.17 billion. Charges on street parking has been introduced as a new revenue source and now contribute about 12% of the total revenue collected.

D. Capacity Building

Training. In retrospect, the training component had an overall positive impact on the change in attitude of staff of KCC and MLG. The extensive exposure to new ideas may have prepared the employees to come up with far reaching reforms articulated in KCC's SFR. Under the Project, in-service professional and out-of-country training were provided. Between March 1992 and June 1995, a total of 2,748 participants received in-service training for a total of 14,468 person-days including KCC councilors. The in-service training cover courses and workshops in management and staffing, computer systems, financial management, valuation, rates and ground rates, road construction and maintenance, operations and maintenance including solid waste, training and institutional development and others. About 21 staff received qualifications, two in computer science, eleven in financial management, 5 in valuation, and 3 in road construction and maintenance. Also, senior staff attained training programs in several African and European countries. The training areas included urban management, performance improvement, finance, valuation/rating, procurement, solid waste management, vehicle and plant management, etc.

New Decentralized Organizational Structure. Kampala City Council is a much better self-conscious organization now than it was at the start of the Project. In fact, a key achievement of UFUP is the streamlining of KCC's organizational structure including the decentralizing functions. A new structure providing for 2,100 posts in all grades was adopted in 1994 compared to the 2,643 staff at the start of the Project. Further, the organizational structure was brought further in 1999 in line with KCC's SFR. In FY 1999/00 KCC has staff of 807 staff only. By closing date of the Project, 107 employees had been retrenched. Another 250 staff were awaiting for retrenchment packages. Meantime, the incentive system has improved. Average wage per person has increased from Ush0.66 million (1990/91) per person to Ush4.23 million (1999/00) per person in current prices.

Management Training and Policy Unit within the Local Government Inspectorate and Establishing and Equipping a Local Resource Center. These institutional components were in support of the Ministry of Local Governments' goal to help local authorities increase their revenue base and improve their financial management and administrative systems. However, as implementation progressed and KCC became the focal point, the above components were crowded out in the reform process. The omission of the above components is deeply regretted by the Ministry of Local Government.

Studies. The main studies financed under the Project were: various sectoral studies for UFUP preparation, Kampala Structure Plan, Kampala District Mapping, and financial manuals. As earlier noted, a few training manuals were produced under NDF for use by KCC.

Equipment. The Project has provided assistance in the form of transport, training, office equipment including computers which improved the response time of service delivery of KCC staff. The delays in procurement and delivery particularly the computer component affected the timely implementation of the training program in the first years of the Project.

E. Project Preparation

The Project provided financing for the preparation of a possible free standing IDA credit for a small towns water and sanitation project with primary focus on the rehabilitation and expansion and new construction of water supplies and sanitation facility in towns. The Water Development Department (WDD) of the Ministry of Water and Mineral Development was responsible for the

preparatory activities. The Small Towns Water Supply and Sanitation Project has been under implementation and is expected to close on December 31, 2001.

4.3 Net Present Value/Economic rate of return:
The total cost of the road component is US$8.9 million or 21% of the of the Project cost. The Economic Rates of Return (ERR) for periodic maintenance of the gravel and paved roads are estimated to be 167% and Ush31.1billion.The ERR for the road sector in the SAR was estimated to be 33% but NPV was not provided. The ERR for the three urban markets is estimated to be 21%. The summary of the economic analysis is shown in Annex 3.

4.4 Financial rate of return:
The project investment financed non-revenue earning and revenue earning subprojects.
As regard the non-revenue earning investment such as road maintenance, the financial risks of not having adequate revenue for funding maintenance is significant. Despite improved revenue collection, revenue has not expanded at the same pace as demand for urban services. The contracting arrangement of for the revenue earning urban markets assure a much higher chance of sustainability of the investment.

4.5 Institutional development impact:
Overall impact of the Project on institutional development is positive. As a result of the Project, several encouraging trends are observable such as staff attitude towards urban service delivery has improved for the better. KCC has formulated and adapted a strategic framework for reform. Through right-sizing relative efficient use of available human resource has been achieved. Effectiveness in financial resources mobilization through improved revenue collection has been demonstrated.

5. Major Factors Affecting Implementation and Outcome

5.1 Factors outside the control of Government or implementing agency:

- *Poor remuneration of staff.* A decade of social strife and deterioration of service have created conditions in which professional staff could not survive on one income. The civil service reform has yet to take root. In the first year of the Project, KCC was paying a graduate engineer so low that the engineer would have to supplement his income with a second job. The low remuneration situation was not conducive for transfer of knowledge and skill from consultant to staff.
- *Delayed procurement.* Procurement was partly the responsibility of the TA staff. The resulting delays in start of the planned subprojects affected the public perception of KCC. As a result, KCC lost the trust of communities because of repeated failures to deliver on its promises. Later it found that vendors were less trusting and cooperative to handle over sites.
- *Land tenure.* The Kawaala Site and Service scheme was abandoned and the credit re-structured. While lack of community trust of KCC played a great part in in the failure, the problem was rooted in the land tenure of the country and is likely to give rise to similar resistance to similar projects in the future.
- *Staff/consultant working relations.* Lack of amicable relations between KCC staff and expatriate staff made transfer of skill and knowledge difficult during the first years of Project life.

5.2 Factors generally subject to government control:

- *The implementation arrangement.* The implementation structure for Project with the PCU Steering Committee responsible to the Ministry of Finance, Planning and Economic Development was not aligned to the on-going decentralization policy of the Government. This placed KCC in a difficult position to response to its constituents.
- *Delay in right sizing.* Lack of funds for payment to staff willing to depart has been a problem. At one time, funds earmarked for the above purpose has been applied for other purposes.

5.3 Factors generally subject to implementing agency control:

- *Counterpart funds.* The weak tax base of the city and poor tax collection and lack of new taxable revenue sources had made it difficult for KCC to provide counter part funding.
- *SFR.* The development of SFR in-house has provided a framework to solve issues raised by stakeholders. It enhanced the efficiency and cost effectiveness of service delivery as evidence in waste management initiative.

5.4 Costs and financing:

The total project cost in terms of dollars of US$42.2 million was slightly higher than the SAR estimate of US$38 million mainly due to exchange rate from SDR to US dollars over the last years. Over the life of the Project, the Uganda's exchange rate has changed from US$1=400 (May 1,1990) to US$1= 1500Ush (June 30, 2000). Indicating a large depreciation of the Ugandan currency in terms of US Dollars. As of November 16, 2000 a total of US$29.09 million was disbursed and the undisbursed balance is US$229,082.01.

6. Sustainability

6.1 Rationale for sustainability rating:

The achievements generated under the Project are *likely* to be sustainable. The main factors which favor sustainability of the Project's achievements are the Government's commitment to its decentralization policy, KCC's commitment to its *Strategic Framework for Reform* and IDA's support under the follow on projects. The Government is committed to its decentralization policy and its current policies to support local governments to take initiatives in line with Local Government Acts. The *Strategic Framework for Reform*, prepared in-house by KCC and adopted with stakeholders participation, provide incentives to staff to achieve efficiency and cost effectiveness. The SFR is also designed to improve productivity of staff through increased remuneration to attract and retain quality staff, and through right-sizing of staff. In addition, the reform undertaken to date is supported by two ongoing projects (Nakivubo Channel Rehabilitation Project and Local Government Development Program) in which the staff of KCC and MLG have played key role in the preparation of these projects. KCC is also responsible for their implementation. Under the contracting out regime, private service providers would have incentive to deliver quality service within contracted budget, barring corruption. Assets created under the Project such as the urban markets are under contract management based on competitive bidding; and have become a steady and growing source of revenue to KCC.

6.2. Transition arrangement to regular operations:

The extension of the credit closing date by two years has allowed the testing of KCC's Strategic Framework for Reforms. The SFR has provided a flexible framework for efficient operation upkeep of the assets through contracting out.

7. Bank and Borrower Performance

Bank

7.1 Lending:
The identification and preparation phases of the Project while *satisfactory* by the standard of the time, would be assessed as *unsatisfactory* by present standard. The Project owes its origin to a series of emergency water supply and sewerage rehabilitation interventions in Uganda's major towns. The preparation phase clearly identified major issues on urban finance and management in a Bank Sector Report on Urban Finance and Management. In 1984 Bank preparation funds were used to cover the costs of feasibility studies covering priority action areas such as urban finance, rehabilitation of streets and drains, solid waste management, urban markets, low-cost sanitation and serviced residential land. Thus, identification of issues and documentation of the project component were detailed and useful. Nevertheless, reflecting the outlook of the time, preparation was by and large supply driven rather than demand driven. Even though efforts were made to involve and consult with potential beneficiaries (market vendors association, Resistance Committees, Water Committees and consumers), the Kawaala Site and Services had to be abandoned at mid-term for lack of community support.

Again measured against present standard, the appraisal would be considered as *unsatisfactory*. The risks to the Project due to the extremely low remuneration of staff working and the land rights should have been fully assessed and mitigating measures identified. The former made the transfer of knowledge and skill to staff and relations with expatriate staff difficult, while the latter led to restructuring of the Credit and the abandonment of the Kawaala Site and Service component of the Project. More important, although at the time of project appraisal the prevailing winds of change support private sector involvement, alternative mechanisms of provision of infrastructure services were not considered as viable options.

7.2 Supervision
Overall Bank supervision was satisfactory. In the first two years, Bank supervision staff assessed the Project's development objectives and implementation progress to be "highly satisfactory". In retrospect, this was not warranted by the progress on the ground. Procurement was delayed, disbursement was lagging and implementation of key components of the Project were facing problems which led to restructuring. After restructuring, Bank supervision was supportive of the decentralization policy and encourage KCC to take initiative. By late 1996, KCC has initiated the SFR which have been tested over the last two years and proven to be effective. The challenge and support of Bank supervision team to the client have contributed to turn around the project implementation and put the achievements of the Project on a sustainable path. The prevailing innovative policy environment of the Bank in the last half of the 90's, particularly encouragement of private sector in infrastructure service, decentralization, ownership of project, etc. has no doubt provided a favorable climate in fostering KCC's initiative of SFR.

7.3 Overall Bank performance:
Overall, the Bank performance is assessed as satisfactory. In particular, the Association's supervision staff have played critical role in helping the Project return on course by working closely with the Government's staff.

Borrower

7.4 Preparation:
Government has played an important role in defining the broad parameter of project preparation. Wide participation of the Borrower's staff was, however, limited by the prevailing staff incentive environment. The technical preparation of the Project was, therefore, mainly undertaken by outside experts.

7.5 Government implementation performance:
As noted earlier, the Project Coordination Unit of the Project was directed by a Steering Committee under the Ministry of Finance, Planning and Economic Development with representatives from the implementing agencies. Although the Ministry was supportive, the implementation organization structure and whatever its merit might have been at first, was not as supportive or congruent with the decentralization policy of the Government. The structure formally continued but the function withered away as KCC embarked on its SFR preparation and assumed full ownership of the Project.

7.6 Implementing Agency:
The main implementing agency of the Project, the Kampala City Council (KCC), has been transformed from a non-conscious participant in the Project into an innovative owner of the Project. A key element of its transformation is the SFR which got the endorsement of the relevant stakeholders including management of KCC, the labor union and the council.

7.7 Overall Borrower performance:
Overall, Borrower performance is assessed as satisfactory. Over the life of the Project, the principal implementing agency has emerged as owner of the Project making the sustainability of the Project as likely.

8. Lessons Learned

The First Urban Project (UFUP) started out with little local ownership of the beneficiaries to strengthen municipal service delivery along traditional line. In the process, it was transformed into a demand driven project with participation of all the relevant stakeholders dedicated to innovative municipal service delivery. This ICR identifies a number of key lessons for the future design and implementation of projects.

On project design. The mechanism of achieving the objective may be as important as identifying the objective. The implementation mechanism adopted was based on executing project by departmental organization, primarily based on force accounts. As alternative mechanisms of infrastructure service delivery become acceptable with the growing role of private sector participation in municipal service delivery, the design of the Project became mis-aligned with the prevailing economic policy environment which favor private sector based response. This called for a series of reforms during the project implementation. On the other hand, the strategic alignment of the project concept to the Government decentralization's pronouncement harmonized well over the implementation life of the Project.

Design of Future Local Government Projects. The UFUP is a local government development project. As such, its management should have been the elected leadership who set up goals and objectives and not the appointed civil servant or employed managers who execute the leadership's policies, directives and programs. The involvement of the elected council members

from project inception is central if such projects are to be owned by the council and not to be looked at as primarily a central government project as was the fate of UFUP in the initial years. Second, as a local development project, the outcome of a project depends on the interplay of politics, where compromises between community interests will have to be made during council decisions. An IDA supported local government program should, therefore, be flexible to allow the exercise of democratic governance and need to be based on a broadly agreed rolling medium-term plan. In this respect, the current LGDP is a step in the right direction towards promoting good governance and accountability, in that it openly admits the political dimension and recognizes that in the preparation of the rolling development plan the values and aspirations of the citizens are reflected in the plan, and are subject to review and changes by their elected representatives.

Phasing of consultant's activities. Phasing of the consulting services appeared to be determined from the consulting firm's point of view rather than from the standpoint of the requirement of the transfer of technology. Because the consultant service duration was not aligned with the objective situation in KCC, the transfer of technology was much less than expected. The phasing of the consultant's activities, thus, contributed to misunderstandings of roles of KCC consultants and led to conflicts between staffs and consultants.

Project ownership. The SFR was developed in-house by KCC's own staff and adopted with the participation of all stakeholders. The SFR, is essentially critical of the initial project concept of supply driven municipal service delivery and the design of the technical assistance tailored to train staff oriented to manage improved traditional departmental municipal service delivery. After the restructuring of the Project, and in the face of the ongoing decentralization process, the continued maintenance of the Project Coordination Unit under the Ministry of Finance, Economic and Development Ministry was anachronism. KCC should have been given responsibility for the management of the Project.

Right sizing. When people are well informed and recognize the desire of the general public for improved service delivery that cannot be met under the prevailing institutional structure and arrangement, with appropriate incentive, they can spearhead reforms including right-sizing of the organization.

Procurement Capacity. Procurement has become the Achilles' heel of many IDA financed projects, resulting in delays in implementation and costing significant opportunity costs for a recipient country by raising the effective rate of interest the country pays for the credit. In the case of UFUP, neither the technical assistant specialists, or the Project Coordination Unit staff assigned to implement the Project had the prerequisite knowledge to undertake procurement based on World Bank procedures and guidelines. While significant improvements were observed in the last two years of the Project when KCC took full ownership, the first three valuable years were effectively lost in the procurement process. In future project design, it is important that the project implementation team has qualified procurement staff. If need be, a short term procurement specialist consultancy should assist the implementation team at the start and various interval.

9. Partner Comments

(a) Borrower/implementing agency:

A full text of the Borrower's comments is attached to this Report as an annex. The overall assessment of the Borrower is that the Project has positive outcome and impact. The Borrower noted that the Project has made positive contribution both to the physical improvement and institutional capacity development of KCC. Noting the difficult implementation experience, the Borrower called attention for considering carefully the complexity and potential risks of future projects and for designing appropriate mitigating measures. The Borrower attributed the current project implementation problems to the centralized arrangements which contributed to unnecessary delays in the decision making process.

*(b) Cofinanciers: **NDF/GTZ***

No comments have been received from both donors.

(c) Other partners (NGOs/private sector):
N/A

10. Additional Information

Annex 1. Key Performance Indicators/Log Frame Matrix

Outcome/Impact Indicators (Phase III) :

Indicator	Projected in SAR/PAD/SFR	Actual/Latest Estimate
1. Improved service delivery standards by KCC		
A. Alternative Basic Service Delivery - Effective service delivery, private sector growth and change in role of KCC to that of enabler/regulator.	- Less public complaints, savings from unproductive assets, more taxes from private sector growth and reduction of KCC establishment.	-there is less public complaints now than before; -tax revenue has increased by 310% -KCC establishment has been right-sized from 1,166 to 807 staff; average wages had increased from Ush. 0.66 million per employee to Uhs. 4.23 per employee.
B. Solid Waste Management – Cleaner environment, improved health standards and increased regulatory effectiveness in KCC.	- More effective refuse collection and disposal; - Less case of infections, complaints and pollution; - Reduced costs of collection and disposal of refuse in the long term. - Private sector growth and more focus by KCC on regulatory activities leading to better environmental conditions.	-Current collection coverage, on the average, is approximately 40%; - Haphazard dumping by KCC has been eliminated, all refuse collected is taken to the landfill site; - All waste is compacted and covered at the landfill, hence improvement in the environment (effluent COD has reduced from 15300ppm in 1998 to an average of 3300ppm in 1999/2000, while BOD_5 reduced from 9560ppm in 1998 to an average of 1580ppm in 1999/2000); - 23 refuse heaps were removed from Makindye Division during the pilot project, with a significant impact on the health and environment in the Division; - A new solid waste ordinance was passed in February 2000. - About 10% of the refuse at the landfill is delivered by private firms, hence a corresponding cost recovery for KCC.
C. Transport/Road Improvement Programs - Improved traffic flow and road safety, reduced pollution and improved economic activity.	- Reduction in operating costs, improved accessibility to transportation facilities, elimination of stagnant water and road dust, increased public appeal and increase in productivity and employment generation.	- KCC has set aside all revenue from street parking for use exclusively on maintenance of bitumen roads; - traffic delays have reduced as a result of improved road network; - there is evident improved economic activity along the repaired roads and in the city in general; - reduction in dust has been achieved in all roads that were tarmacked; - on average, more than 70% of roads in the city centre are now in good condition, as compared in 1992.

2. Improved Urban Financial Management		
- Improved and balanced cash flows, effective revenue collection and expenditure control, increased revenue potential, ready availability of quality management information and simplified and speedy monitoring and control.	- ability to finance budgeted expenditures and provide services effectively, transparency and public appeal, ability to self finance portions of capital investments and healthy audit reports.	- revenue has increased by 310%; computers are being used to make available meaningful information for financial management planning
3. Institutional Development and Strengthening of KCC		
- Responsibility and accountability in staff, efficient job performance, higher skill levels, better organizational culture, better communication and information flow.	- Improved public relations, less absenteeism, good staff relations, improved service delivery, high level of transparency and increased productivity.	The SFR is one such comprehensive indicator. KCC has improved its public relations; transparency and productivity has also increased.

Output Indicators:

Indicator	Projected in SAR/PAD	Actual/Latest Estimate
1. Urban Markets Rehabilitation		
- Rehabilitation of 3 markets: Owino, Natete and Bugolobi; - Basic infrastructure and sanitation facilities for the markets; - Model physical plans and architectural designs	- Completion of market designs for market improvements; - Rehabilitation of works on 3 markets urban market prototype developed	- Design of 3 markets was completed in 1993. - Rehabilitation of the 3 markets was completed in January 1997. Several urban markets were developed modeled after the three markets.
2. Solid Waste Management		
- Purchase 476 new refuse containers (skips); - Purchase 30 pcs of plant for refuse transportation and disposal; - New sanitary landfill facility; - Rehabilitation of mechanical workshop	- All refuse containers delivered by 1996; - SWM plant delivered by 1996; - Develop new landfill site by 1996; - Mechanical workshop rehabilitation by 1992; - Decentralization of refuse management to 5 divisions; - Increase service coverage from 7000m3/month in 1991 to 16,000m3/month in 1994; - Increase vehicle utilization from 30% in 1990 to 80% in 1994.	- 480 skips were delivered between 1994 and 1996; 70 skips delivered in 2000. - Delivery of 30 pcs of plant for solid waste transportation and disposal was completed in 1997. - New sanitary landfill site was completed and commissioned in 1996. - Average waste collection has increased from 7,000m3/month in 1991 to 24,000m3/month in 2000. -Refuse collection was fully decentralized in 1996, which improved coverage. - Mechanical workshop rehabilitation was completed in 1996. - Landfill management was contracted out in February 1999. -Contracting out refuse transportation was successfully piloted in Makindye Division in 2000.

3. Road Maintenance		
- Periodic maintenance/upgrading of at least 20 km of bitumen roads and 30 km of gravel roads and associated drains; - Routing maintenance of at least 120 km of bitumen roads and 20 km of gravel roads by contract - Buy 10 pcs of plant for road maintenance operations by KCC; - Buy materials for routine road mtnce of at least 60km of bitumen roads and 120km of gravel roads per year, by KCC; - Improve road maintenance management; - Rehabilitation of 4 road maintenance depots for Divisions.	-Annual road maintenance coverage (both PRM and RRM); - Complete PRM and RRM contracts by 1996; -Purchase all materials and plant for KCC road maintenance by 1996; - Roads database for improved road maintenance planning; - Complete rehabilitation of maintenance depots by 1996.	- Approx. 33km of bitumen roads and 24km of gravel roads were covered under two periodic road maintenance contracts between 1994 and 1997. - 33km of bitumen roads and 7km of gravel roads were covered under one routine road maintenance contract in 1995/96. - Approx. 76km of bitumen roads and 13km of gravel roads received routine maintenance directly by KCC in 1993/94 using the road maintenance plant and materials. - A roads database covering over 800 roads in the city was completed in 1995. The roads have a total length of approx. 550km, of which 45% are tarmac and the rest gravel/ earth roads. - Rehabilitation of 4 maintenance depots for Divisions was completed in 1996. - CBD traffic strategy document was prepared in 1998. The first scheme arising therefrom covering the Kyagwe Road Corridor was commissioned in March 2000. - 5.5.km long Kiteezi road has been upgraded to bitumen standards. The works will be complete by 30 April 2000. - Emergency road maintenance contracts were carried out in 3 Divisions, to cover pot hole repairs on approximately 25km of roads between March and June 2000. - Design and project preparation of the Nakivubo channel rehabilitation project was completed in 1997. Execution of works is being undertaken under the NCRP.

Table 1: Key Implementation Indicators for Infrastructure Rehabilitation: Civil Works

Description	Unit	Quantity			Construction Days		Hand over Dates		Construction Costs (shs), excluding taxes	
		Appraisal	Restructuring	Actual/ Reallocation	Contract	Actual	PHO	FHO	Contract	Actual
1. URBAN MARKETS	**No**	**3**	**3**	**3**	728	**755**	**30/1/97**	**30/7/97**	**4,577,996,366**	**4,575,926,853**
Owino Market					728	755	30/1/97	30/7/97		
Stall Sheds	No	71	71	71						
Offloading Sheds	No	6	5	5						
Admin Blocks	No	2	2	2						
Lockup stalls & shops	No	4910	4910	5619						
Toilet Blocks	No	4	2	2						
Bugolobi					728	651	18/10/96	18/4/97		
Stall Sheds	No	14	9	9						
Offloading Sheds	No	1	1	1						
Admin Blocks	No	1	1	1						
Lockup stalls & shops	No	250	250	480						
Toilet Blocks	No	1	3	3						
Natete Market					728	619	17/9/96	17/3/97		
Stall sheds	No	14	15	15						
Offloading Sheds	No	1	1	1						
Admin Blocks	No	3	1	1						
Lockup stalls & shops	No	202	202	569						
Toilet Blocks	No	1	2	2						
2. SOLID WASTE MANAGEMENT										
Landfill Preparation	**No**	**1**	**2**	**1**	182	248	10/4/96	9/4/97	606,543,037	590,895,280

Access roads	m2			15000						
Boreholes	No			4						
Receiving area	m2			1200						
Disposal area	m2			23250						
Root Treatment Zone	m2			5800						
Buildings (office, attendant residence, guard house, toilet, service shed)	No.			5						
Landfill Management and Remedial Works										
Murram for landfill operations	m3	12500		12500	122	122	30/6/93	30/6/93	60,600,000	58,574,000
Landfill Management Contract 1 (Short term)	Wks			22.4	84	157	30/6/99	30/6/99	254,141,744	417,726,444
Landfill Management Contract 2 (1 year)	Mon			12	366	366	30/6/00	30/6/00	1,093,760,000	1,511,260,171
Refuse Collection & Transportation										
Refuse Collection & Transportation (general)	m3/mon			30000						
Pilot Refuse Collection Service in Makindye Div.	m3			68405	140	131	30/6/00	30/6/00	380,601,185	563,849,840
3. URBAN ROADS & DRAINS MTNCE										
Periodic Road Maintenance (PRM II)	**km**	**50**	**51**	**45.705**	**550**	**612**	**21/10/96**	**21/10/97**	**3,887,617,053**	**3,868,789,814**
Gravel Roads Reconstruction	km	20	24	23.35						
Pavement Strengthening (Overlay)	km			8.875						
Pavement Reconstruction	km	30	27	13.48						
Periodic Road Maintenance (PRM IIA)	**km**	**0**	**0**	**10.42**	**180**	**332**	**8/4/97**	**8/4/98**	**1,826,787,877**	**1,767,477,014**

Pothole Repairs	m2			623						
Pavement Strengthening (Overlay)	km			6.11						
Pavement Reconstruction	km			4.31						
Routine Road Maintenance (RRM)	**km**	**540**	**216**	**40.14**	180	174	23/11/95	22/11/96	200,064,350	197,561,520
Gravel Roads	km	180	71	7.25						
Bitumen Roads	km	360	145	32.89						
RRM by KCC direct labour	km		**102**	**89**						
Gravel Roads	km		78	76						
Bitumen Roads	km		24	13						
Supply of Road Maintenance Materials									**125,540,000**	**122,814,500**
White paint (contract No. M9/6)	kg	500	500	500	60	48	29/9/93	29/9/93	3,750,000	3,750,000
Yellow paint (No. M9/2)	kg	1000	1000	1000	60	46	27/9/93	27/9/93	9,100,000	9,100,000
Bitumen 80/100 & MC70 (Contract No. M9/5)	ton	60	60	58.85	30	94	18/1/94	18/1/94	29,840,000	29,277,000
Gravel & quarry dust (No. M9/7&11)	ton	5400	5400	5400	240	616	22/5/95	22/5/95	24,100,000	24,100,000
Chipping (No. M9/1)	ton	730	370	643.5	60	856	8/1/96	8/1/96	18,250,000	16,087,500
Murram (No. SM1)	ton		5000	5000	300	140	26/2/96	26/2/96	40,500,000	40,500,000
Road Lime	Ton		50	50	14	30	5/6/95	5/6/95	9,500,000	9,500,000
Bitumen (Agip)	Ton		40	40	14	16	11/7/95	11/7/95	23,591,900	23,591,900
CBD Traffic Management (Kyagwe Rd)					153	243	28/2/00	27/2/01	703,790,977	811,241,213
Pavement Strengthening (Overlay)	km			1.12						
Pavement Reconstruction	km			1						
Footways	m2			3700						
Road Markings	km			4						

Road Signs	No			89						
Street lights	km			1.8						
Pelican crossings (signalized)	No			1						
Zebra crossing with flashing beacons	No			1						
New Drains	m			300						
Mpererwe-Kiteezi Road Upgrade	**km**			5.5	152	211	28/4/00	28/4/01	538,601,517	538,595,641
Main roads with double surface dressing	km			4.5						
Side roads with single surface dressing	km			1						
Emergency Road Maintenance Central Div.	**km**				60	103	30/6/00	30/6/01	442,417,122	501,774,656
Pothole Repairs	m2			14516						
Pavement Strengthening (Overlay)	m2			18729						
Lubaga Division ERM	**km**				60	90	1/7/00	30/6/01	337,200,889	375,696,893
Pothole Repairs	m2			1560						
Pavement Strengthening (Overlay)	m2			11000						
New Drains	m2			3035						
Nakawa Division ERM	**km**				60	60	30/6/00	30/6/01	221,105,929	198,455,944
Pothole Repairs	m2			1198						
Carriage-way Reconstruction	m2			3248						
New Drains	m2			4336						
Minor Works (ASD) in Central Division					90	150	25/6/00	25/9/00	98,489,744	114,528,000
Jugula Channel Rehabilitation	m			895						

Minor Works (ASD) in Kawempe Division					180	200	20/6/00	20/6/00	77,466,142	77,466,142
Culverts	m			64						
Clearing & Cleaning open channels	km			2						
Routine Operations	item									
Minor Works (ASD) in Lubaga Division					180	250	30/6/00	30/6/00	109,700,365	133,072,365
Regravelling	km			2.5						
Clearing & Desilting open channels	km			6						
Culverts	m			93						
Lined ditches	m			1170						
Routine Operations	Item									
Minor Works (ASD) in Makindye Division					180	210	31/5/00	31/5/00	70,947,816	70,947,816
Clearing & Desilting open channels	km			13						
Routine Operations	Item									
Minor Works (ASD) in Nakawa Division					210	210	30/6/00	30/6/00	77,214,934	74,798,752
Culverts	m			104						
Lined ditches	m			200						
Regravelling	km			1						
4. OFFICE & WORKSHOP REHABILITATION										
Mechanical Workshop & 4 mtnce Depots					182	281	25/8/95	26/8/96	587,115,480	624,059,764
6th Street Mechanical Workshop	item	1	1	1						
Kawempe Maintenance Depot	Item	1	1	1						
Nakivubo Maintenance	Item	1	1	1						

Depot										
Bugolobi Maintenance Depot	Item	1	1	1						
Lugogo Maintenance Depot	Item	1	1	1						
Rehabilitation of KCC Training Centre	item	1	1	1	56	293	28/1/94	28/4/94	50,910,512	47,297,491
KCC Roof Repairs (started under UIP Cr.2124-UG)	Item		1	1	304	293	19/1/91	10/9/92	Shs 21006946 and $ 126,947.59	Shs 19,040,279 and $ 119,673.82
Renovation of UMI Annex/ LGRC			1	1		56	30/3/93	30/3/93	$7,150	$7,150

Project Implementation Status (Urban Infrastructure Rehabilitation

No.	Major Project Component/ Activities	Unit	Physical Targets & Accomplish-ments			COSTS (US$)		
			Appraisal	Restructuring	Actual/ Reallocation	Appraisal	Restructuring	Actual/ Reallocation
1	**URBAN MARKETS**	**No**	**3**	**3**	**3**	4,882,000	4,882,000	4,660,000
2	**SOLID WASTE MANAGEMENT**							
2.1	**Landfill Preparation (new and existing landfills)**	**No**	**4**	**5**	**4**	500,000	730,000	633,000
	Existing Landfills	*No*	*3*	*3*	*3*			
	New Landfills	*No*	*1*	*2*	*1*			
2.2	O&M (refuse collection, transport & disposal by KCC)	yrs	0	3	2.5	-	1,200,000	786,000
2.3	**Refuse Storage Containers**	**No**	**1205**	**476**	**546**	2,147,000	863,811	1,073,000
	15m3 containers	*No*	*34*	*116*	*151*			
	6-7 m3 containers	*No*	*0*	*300*	*335*			
	2-4 m3 containers	*No*	*1171*	*60*	*60*			
2.4	**SWM Plant & Spares (collection & disposal)**	**No**	**29**	**30**	**30**	2,321,000	2,717,827	2,602,000
	Refuse trucks	*No*	*20*	*20*	*20*			
	Flat bed lorry	*No*	*0*	*1*	*1*			
	Loaders	*No*	*3*	*3*	*3*			
	Bull dozers	*No*	*3*	*2*	*2*			
	Tipper trucks	*No*	*3*	*2*	*2*			
	Bell multipurpose hauler & attachments	*No*	*0*	*1*	*1*			
	Refuse compactor	*No*	*0*	*1*	*1*			
2.5	Landfill Management by Contractors	yrs	0	0	1.5	-	-	1,286,233
2.6	Pilot Refuse Collection Service in Makindye Div.	m3	0	0	68405	-	-	342,000
2.7	Mechanical Workshop	No	1	1	1	48,800	220,000	238,950

3	**URBAN ROADS & DRAINS MTNCE**							
3.1	**Periodic Road Maintenance**	**km**	**50**	**51**	**94.5**	5,000,000	3,700,000	7,070,594
	Periodic Road Maintenance (Bitumen roads)	*km*	*30*	*27*	*33*			
	Periodic Road Maintenance (Gravel roads)	*km*	*20*	*24*	*23*			
	Mpererwe-Kiteezi Road Upgrade	*km*	*0*	*0*	*5.5*			
	Traffic management (Kyagwe rd scheme)	*km*	*0*	*0*	*2*			
	Emergency Road Maintenance in Divisions	*km*	*0*	*0*	*31*			
3.2	**Routine Road Maintenance**	**km**	**540**	**318**	**129**	298,000	1,350,000	431,458
	RRM (Bitumen roads)	*km*	*360*	*223*	*46*			
	RRM (Gravel roads)	*km*	*180*	*95*	*83*			
3.3	**Road Mtnce Plant, Spares & Handtools**	**No**	**10**	**30**	**30**	402,000	540,000	805,837
	Tractors with tipping trailers	*No*	*2*	*5*	*5*			
	Grader	*No*	*0*	*1*	*1*			
	Bitumen hand sprayer	*No*	*2*	*2*	*2*			
	Rollers	*No*	*0*	*3*	*3*			
	Tipper trucks	*No*	*0*	*2*	*2*			
	Loaders	*No*	*1*	*1*	*1*			
	Water Bowser	*No*	*0*	*1*	*1*			
	Conrete mixers	*No*	*2*	*5*	*5*			
	Pickups	*No*	*2*	*9*	*9*			
	Assorted hand tools & Spares	*item*	*1*	*1*	*1*			
3.4	Nakivubo channel rehabilitation	km	0	9	0	-	2,000,000	-
3.5	Maintenance Depots	No	4	4	4	200,000	220,000	358,425
4.00	Minor/ Routine Works (ASD) in Divisions	Item	0	0	1	-	-	302,632

Kampala City Council
Actual revenue Collection Trends (1991/92-1999/2000)
The Table below shows the performance of each revenue source since 1991
Shs(000,000)

ACTUAL(Millions)										
YEAR	91/92	92/93	93/94	94/95	95/96	96/97	97/98	98/99	99/00	% increase over 1991/1992
SOURCES										
Graduated Tax	982	1,816	2,231	3,163	3,806	3,266	3,658	3,862	3,636	370
Rates	1,297	1,410	2,174	2,364	2,582	1,871	1,961	2,759	3,226	249
Ground Rent	135	209	499	475	220	194	218	353	442	327
Markets	608	625	629	676	805	593	769	691	829	136
Car Parks	337	345	385	648	1,532	1,213	1,545	1,973	1,955	580
License &Fees	468	416	598	768	1,110	988	1,630	1,515	1,821	389
Others	95	168	293	425	693	1,097	1,357	1,711	2,526	2,659
Capital	1,300	703	800	1,469	1,158	170	539	289	1,733	133
Total Revenue.	**5,222**	**5,692**	**7,609**	**9,988**	**11,906**	**9,392**	**11,677**	**13,153**	**16,168**	**310**

Note:

1.Others are sundry revenue received by the council from miscellaneous sources: . Hall lettings; Housing rent; Street parking; Shops letting; Plans and lease extension fee; Advertisement; Abattoir; Public convenience; Education Tax; Road resealing fees; Tender board fees.

2.Capital are revenues received from sale of land, renewal of leases and sale of housing stock.

3.The reason for the increase in revenue is due to periodic increase (during budget) of charges levied by Council on the sources of revenue, and valuation of more rating zones for property rates

Kampala City Council
Existing Staff as Result of Right-Sizing with Average Annual Wage Bill

Department	SAR	1991/92	1993/94	1999/00	Current/ SAR (%)
Town Clerk	408	408	503	331	81
City Treasurer	324	324	148	105	32
City Education	53	53	26	44	83
Public Health	229	229	245	239	104
City Engineer	142	142	159	80	56
Audit	10	10	22	8	80
Total	1166	1166	1103	807	69
Total Wage Bill (billion Shs)	0.77	1.2	1.2	3.41	443
Average Wage (million Shs)	0.66	0.80	1.09	4.23	641

Note: Total Unfilled Posts at time of SAR was 1477. This was reduced to 407 due to right sizing of KCC.

Annex 2. Project Costs and Financing

Project Cost by Component (in US$ million equivalent)

Project Cost By Component	**Appraisal Estimate US$ m**	**Actual/Latest Estimate US$ m**	**Percentage of Appraisal**
A. KCC Infrastructure Rehabilitation			
1. Urban Markets	5.30	4.91	93
2. Solid Waste Management	5.29	6.80	129
3. Streets and drains	5.90	8.89	151
Sub-total A	16.49	20.60	
B. Urban Land Development			
1. KCC Mapping	1.05	1.77	168
2. Urban Development Planning	1.46	2.06	141
3. Kawaala sites and services	4.16	0.30	7
Sub-total B	6.67	4.12	
C. Urban Management			
1. KCC TA/training/equip	3.40	12.91	380
2. MLG TA/training/equip	1.49	2.62	176
Sub-total C	4.89	15.52	
D. Project Preparation			
1. Small Towns Water Supply	0.73	0.80	110
2. PPF Refinancing	1.50	1.14	76
Sub-total D	2.23	1.94	
Total Baseline Cost	30.28	42.19	
Physical Contingencies	2.88		
Price Contingencies	5.34		
Total Project Costs	38.50		
Total Financing Required	38.50	42.19	110

Project Costs by Procurement Arrangements (Appraisal Estimate) (US$ million equivalent)

Expenditure Category	Procurement Method				Total Cost
	ICB	NCB	Other	N.B.F.	
1. Works	18 (13.69)	0.67 (0.55)			18.67 (14.24)
2. Goods	7.81 (7.81)		0.89 (0.89)		8.70 (8.70)
3. Services			5.79 (5.79)	5.26	11.05 (5.79)
4. Miscellaneous *Land Compensation*			.08		.08
Total	25.81 (21.50)	0.67 (0.55)	6.76 (6.68)	5.26	38.5 (28.73)

Project Costs by Procurement Arrangements (Actual/Latest Estimate) (US$ million equivalent)

Expenditure Category	Procurement Method				Total Cost
	ICB	NCB	Other	N.B.F.	
1. Works	9.64 (7.61)	3.89 (2.92)	1.76 (1.54)		15.30 (12.07)
2. Goods	4.98 (4.98)	0.55 (0.54)	0.94 (0.93)		6.46 (6.44)
3. Services			12.61 (10.47)	7.39	20.00 (10.47)
4. Operations and Maint.			0.36 (0.32)		0.36 (0.32)
5. Miscellaneous *Land Compensation*			0.06 0.00		0.06 0.00
Total	14.62 (12.59)	4.44 (3.45)	15.74 (13.26)	7.39	42.19 (29.30)

1/ Figures in parenthesis are the amounts to be financed by the Bank Loan. All costs include contingencies.

2/ Includes civil works and goods to be procured through national shopping, consulting services, services of contracted staff of the project management office, training, technical assistance services, and incremental operating costs related to (i) managing the project, and (ii) re-lending project funds to local government units.

Project Financing by Component (in US$ million equivalent)

Component	Appraisal Estimate			Actual/Latest Estimate			Percentage of Appraisal		
	Bank	Govt.	NBF	Bank	Govt.	NBF	Bank	Govt.	NBF
A. KCC Infrastructure Rehab.									
1. Urban markets	5.13	1.51		3.75	1.17		73	77	
2. Solid waste management	6.48	0.14		6.18	0.63		95	446	
3. Streets and drains	6.46	1.79		7.39	1.50		114	84	
Sub-total	**18.07**	**3.44**		**17.31**	**3.29**		**96**	**96**	
B. Urban Land Development									
1. KCC mapping	1.33	0.00		1.77			133		
2. Urban land development	1.10	0.00	0.60	1.39		0.60	127		100
3. Kawaala sites & services	4.19	1.01		0.30	0.06		7	6	
Sub-total	**6.62**	**1.01**	**0.60**	**3.46**	**0.06**	**0.60**	**52**	**6**	**100**
C. Urban Management									
1. KCC TA/training/equip.	0.84	.01	3.56	5.85	1.63	5.43	696	16300	153
2. MLG TA/training/equip	0.72	.08	1.10	0.74	0.52	1.36	102	651	124
Sub-total	**1.56**	**.09**	**4.66**	**6.58**	**2.15**	**6.79**	**422**	**2390**	**146**
D. Project Preparation									
1. Small towns water supply	0.93	0.00		0.80	0.00		86		
2. PPF refinancing	1.50	0.00		1.14	0.00		76		
Sub-total	**2.43**	**0.00**		**1.94**	**0.00**		**80**		
E. Land compensation									
(included in B3)									
Total Project Costs	**28.68**	**4.54**	**5.26**	**29.30**	**5.50**	**7.39**	**102**	**121**	**140**

Notes: A2 – More civil works were carried out. This made GOU contribute 25% of the money required raising the percentage to 450.

B1 – The cost of the exercise went up by 33%.

B2 – A pilot project increased the expenditure leading to an increase of 26%.

C1 – As a result of SFR, new activities required financing from both IDA and GOU leading to a very high percentage increases.

C2 – Local training and local equipment required GOU to contribute 5% which was not in the initial project design.

Annex 3: Economic Costs and Benefits

ECONOMIC AND FINANCIAL EVALUATIONS

Preface

1. The economic and financial evaluation of the project covers the following two components:

(a) Periodic maintenance of 10 urban gravel road sections totaling 23.35 km with various levels of traffic and periodic maintenance of 65 urban bitumen roads sections with total length of 29 km for which traffic counts is readily available.

(b) The three urban markets, Owino, Bugolobi, and Natete rehabilitated under the project.

PART I: Road Sector

2. The economic analysis is based on the re-evaluation of data on traffic and costs and benefits of project components. The SAR based its analysis on differed maintenance costs created by delaying the time for major street rehabilitation. The approach used in the ICR is summarized as follows.

(a) capital investment and maintenance costs were revised to reflect 1999 prices and are included in the cost stream;

(b) the benefits stream consists of savings in vehicle operating costs was also updated to reflect 1999 prices;

(c) the traffic count data available for road sections is used; and,

(d) a project life of 10 years has been assumed and the capital investment period for all components was starting 1995.

PART II: Gravel Road Sections

3. The gravel roads were opened to traffic between 1996 and 1998. The lengths of gravel roads ranges from 0.85 km to 8.5 km. Average daily traffic varies on the road sections between 4000 and 200 vehicles per day.

Traffic Projection

4. A growth rate of only 5% is assumed. A 1993 study assessed that urban street traffic in Kampala would grow up 10.4 %. The 5% growth is lower than expected traffic growth rate estimates.

Economic Costs

5. Financial Construction costs have been converted to economic costs by shadow pricing for the input items. The overall economic cost of gravel roads, at constant 1999 prices was obtained.

Economic Benefits

6. The economic analysis includes the benefits derived from Vehicle Operating Cost (VOC) savings, summarized below. Time savings through relieved congestion on the existing road, and lower accident costs, etc, are not included.

Economic vehicle Operating Costs
Ush. Per km, October 1999 prices;

	Paved Roads		Unpaved Roads	
	IRI=2	IRI=10	IRI=4	IRI=24
Car	358.5	499.3	404.0	984.8
Utility	299.8	482.3	345.8	1,054.8
Bus	589.1	725.2	689.0	1,368.1
Light Truck	384.9	584.7	466.2	1,107.5
Medium Truck	448.2	723.0	549.8	1,380.8
Heavy Truck	767,2	1.151.7	896.4	2,062.7
Articulated Truck	1,373.6	2,065.5	1,682.6	3,806.9

Note: USD:UGshilling Exchange rate:1:1500)

Traffic Pattern. Each road section is identified by one of six patterns of traffic patterns .

Traffic Pattern

Vehicle Classes					Traffic distribution factors (%)					
Class	Description	Axles	ESAL	H/L	I	II	III	IV	V	VI
1	Motorcycle	2.00	0.00	L	5	4.0	4.0	4.0	4.0	9.0
2	Car	2.00	0.00	L	27	27.0	36.0	46.5	39.5	40.0
3	Minibus	2.00	0.00	L	26.5	36.0	27.0 0	10.0	25.2	15.0
4	Large Bus	2.00	0.30	H	2.30	0.2	0.5	0.8	0.7	0.0
5	Pickups &FWD	2.00	0.00	H	30.00	25.8	29.4	36.4	29.0	35.0
6	Trucks 2-Axels	2.00	0.30	H	8.4	6.60	2.70	2.1	1.50	0.9
7	Truck 3-Axles	3.00	0.50	H	0.30	0.2	0.	0.1	0.1	0.1
8	Truck Trailers	5.00	1.10	H	0.40	0.1	0.1	0.1	0.0	0.0
9	Semi-trailer	5.00	1.30	H	0.1	0.1	0.1	0.0	0.0	0.0

Economic Evaluation

7. Economic Internal Rate of Return (EIRR) for the gravel roads, is now estimated to be 13.3 percent. The Net Present Value (NPV) is estimated to be Ush. 20.1 billion at 12% discount rate.

Sensitivity Analysis.

8. The impact of the change in the ERR due to VOC changes and changes in traffic growth rates were the scenarios evaluated. The results of the sensitivity test show that the reduction of total benefits due to reduced VOC savings by 15 percent has the greater impact while the lowering of traffic growth rate from 5% to 4% has smaller impact from the base estimates as shown below.

SENSITIVITY ANALYSIS

	EIRR (in %)	NPV(12%, USh. Billion)
Base estimates	13.3	20.1
VOC savings reduced by 15%	4.3	12.1
Traffic growth reduced from 5% to 4% p.a.	12.8	18.8

PART III: Paved Road Sections

9. The economic rate of return of the paved roads totaling 29 km for which there is traffic data available was analyzed. The 65 paved road sections have lengths ranging from 0.04 km to 2.235km and average daily traffic ranging from 100 to 10,000 vehicles per day. Based on the available 1993 traffic a 5.0 percent per year growth is assumed. This is a conservative estimate considering the growth witnessed in the economy in the last few years and the good prospect for continued growth.

Economic Costs

10. Similar to the gravel roads, the financial construction costs have been converted to economic costs and expressed in constant 1999 prices.

Economic Benefits

11. The economic analysis is primarily focused on the benefits derived from VOC savings due to expected traffic growth. Time savings through relieved congestion on the existing road, and lower accident costs, etc, are not included in the ERR estimates.

Economic Evaluation

12. The EIRR for the paved road sections is very high, above 100% (178%).

Sensitivity Analysis

SENSITIVITY ANALYSIS

	EIRR (in %)	NPV(12%, USh. Billion)
Base estimates	180%	12.1
VOC savings reduced by 15%	122%	9.4
Traffic growth reduced from 5% to 4% p.a.	159%	10.6

PART IV: The Overall Economic Evaluation of Road Component
Overall Economic Internal Rate of Return (EIRR)

13. The overall EIRR of road component is the project is 167% and NPV of Ush.31.9 billion.

Part V: The Economic Evaluation of Urban Markets

Revenue in flow and operating costs projection

14. The three urban markets, Owino, Bugolobi and Natete, now provide about 5% of KCC's total revenue. The management of these markets have been contracting out to private individuals who manage these markets, collect rents and pay KCC. The revenue inflow estimates are based on current three-year urban market management bids and expected bid results in subsequent years. Because of contracting, the operating cost is expected to remain relatively stable.

1999/00	FY1990/00	FY2002/03	FY2005/06	FY2008/09	FY2011/12
Owino	900	960	1020	1080	1,140
Bugoobi	48	60	72	90	96
Natete	93	102	108	120	132
Total	**1,041**	**1,122**	**1200**	**1,290**	**1368**
Operating cost	**137**	**137**	**137**	**137**	**137**

Source: KCC, based markets inflow estimates every three years between 2000/01 and 2011/12 and thereafter a constant projection of Ush. 1,262,722,194.

Economic Evaluation

15. The urban markets generate revenue after covering the management and operating costs. The ERR on the investment is estimated to be 21%. SAR estimate was 23%, slightly higher than the expected ERR. The ERR estimate does not reflect major social benefits consisting of health improvements for suppliers, vendors and the general public. In addition significant cost savings in the improvement of urban market has improved access to market and resulted in vehicle operating cost savings.

PART VI. The Financial Evaluation of Urban Roads and Urban Markets

16. There are two aspects to the financial analysis of the project investment: the non revenue generating urban roads and the revenue generating urban markets. Assuming that KCC maintains its road maintenance schedule, the 1999 road maintenance expenditure needed to assure the sustainability of the road would be about 0.4% total KCC revenue. On the face off it the financial risks of sustaining the investment in roads would appear. But given the limited revenue base of the city and the resource needed to meet priority demands, the financial risk is significant. However, as regard to the urban markets, the risk that the revenue does not cover the cost of operating is minimal given the contracting arrangement in effect.

Annex 4: Bank Inputs

(a) Missions

Stage of Project Cycle	No. of Persons and Specialty		Performance Rating	
Month/Year	Count	Specialty	Implementation Progress	Development Objective
Identification/Preparation				
11/87	3	1 ML, 1 UP, 1 EC		
5/88	2	1 UP, 1 SAN		
Pre-appraisal				
6/89	8	1 EC, 1 SAN, 2 UP, 1 FA, 1 PTE, 1 RE, 1 CON		
Appraisal/Negotiation				
5/90	6	2 UP, 1 EC, 1 FA, 1 VAL, 1 IDS		
Supervision				
8/91	1	1 UP	HS	HS
3/92	3	1 ID, 1 UP, 1 FA	HS	HS
7/92	2	1 UP, 1 IDS	HS	HS
2/93	6	1 UP, 1 PS, 1 IDS, 1 FA, 1 CS, 1 EC	S	HS
10/93	4	1 UP, 1 FA, 1 IDS. 1 PROC	S	S
3/94	3	1 UP, 1 PROC, 1 UM	S	S
12/94	2	1 TL, 1EN	S	S
10/96	4	1 TL, 1 EC, 1 M&E, 1 EN	S	U
5/97	6	1 TL, 1 EC, 1 WE, 1 EN, 1 OF, 1 OA	S	S
8/97	3	1 TL, 1 OF, 1 OA	S	S
11/97	3	1 TL, 1 EC, 1 OA	S	S
2/98	5	1 EC, 1 SAN, 1 EN, 1 OA	S	S
5/98	5	1 TL, 2 SAN, 1 IT, 1 OA	S	S
8/98	5	1 TL, 2 SAN, 1 FMS, 1 OA	S	S
10/98	5	1 TL, 2 SAN, 1 FMS, 1 OA	S	S
2/99	4	1 TL, 2 CON, 1 FMS	S	S
5/99	4	1 TL, 2 CON, 1 FMS	S	S
8/99	3	1 TL, 2 CON		
11/99	4	1 TL, 2 CON, 1 FMS	S	U
3/2000	4	1 TL, 2 CON, 1 FMS	S	S
5/2000	4	1 TL, 2 CON, 1 FMS	S	S

CON – Consultant
CS – Chartered Surveyor
EC – Economist
EN – Municipal Engineer
FA – Financial Analyst
FMS – Financial Management Specialist
IDS – Institutional Development Specialist
IT – Information Technology Specialist
M&E – Monitoring and Evaluation Specialist
OA – Operations Analyst
OF – Operations Officer
PROC – Procurement Specialist
PTE – Property Tax Expert
RE – Refuse Expert
SAN – Sanitary Engineer
TL – Team Leader
UM – Urban Management Specialist
UP – Urban Planner;
VAL – Valuation Specialist
WE – Water Engineer

(b) Staff

Stage of Project Cycle	Actual/Latest Estimate	
	No. of Staff Weeks	US$ (,000)
Identification/Preparation	95	233.4
Appraisal/Negotiation	30.4	79.5
Supervision	196.6	636.7
ICR	4	18.9
Total	326	968.50

Annex 5. Ratings for Achievement of Objectives/Outputs of Components
(H=High, SU=Substantial, M=Modest, N=Negligible, NA=Not Applicable)

	Rating
[ ] Macro policies	*[ ] H [ ] SU [ ] M [ ] N [X] NA*
[ ] Sector Policies	*[ ] H [ ] SU [X] M [ ] N [ ] NA*
[ ] Physical	*[ ] H [ ] SU [X] M [ ] N [ ] NA*
[ ] Financial	*[ ] H [X] SU [ ] M [ ] N [ ] NA*
[ ] Institutional Development	*[ ] H [ ] SU [X] M [ ] N [ ] NA*
[ ] Environmental	
Social	
[ ] Poverty Reduction	*[ ] H [ ] SU [X] M [ ] N [ ] NA*
[ ] Gender	*[ ] H [ ] SU [ ] M [ ] N [X] NA*
[ ] Other (Health Improvement)	*[ ] H [X] SU [ ] M [ ] N [ ] NA*
[ ] Private sector development	*[ ] H [X] SU [ ] M [ ] N [ ] NA*
[ ] Public sector management	*[ ] H [X] SU [ ] M [ ] N [ ] NA*
[ ] Other (Please specify)	

Annex 6. Ratings of Bank and Borrower Performance
(HS=Highly Satisfactory, S=Satisfactory, U=Unsatisfactory, HU=Highly Unsatisfactory)

6.1 Bank performance

	Rating
[ ] Lending	*US*
[ ] Supervision	*HS*
[ ] Overall	*S*

6.2 Borrower performance

	Rating
[ ] Preparation	*US*
[ ] Government implementation performance	*S*
[ ] Implementation agency performance	*S*
[ ] Overall	*S*

Annex 7. List of Supporting Documents

IDA, *Staff Appraisal Report, Uganda First Urban Project,* **December 3, 1990.**

IDA, *Memorandum and Recommendation of the President of the International Development Association to the Executive Directors on a proposed Credit to the Republic of Uganda for the First Urban Project*, December 3, 1990.

RH&H Consultant, *Uganda First Urban Project, Institutional Development Component, Final Report at 30th June 1995*, June 1995.

Stoveland Consult, *First Urban Project, Uganda, Evaluation of NDF Supported Technical Assistance Component, Evaluation: ID Component of First Urban Project,* November 1997.

Kampala City Council, *Kampala City Council Strategic Framework for Reform (A way Foreward)*, November 1997.

IDA, *Supervision Staff Aide Memoires, Various Reports,* 1990-2000.

Annex 8. Borrower's Contribution

KAMPALA CITY COUNCIL

UGANDA FIRST URBAN IMPLEMENTATION COMPLETION REPORT

1. INTRODUCTION

On 12th March 1991, the Government of Uganda and the World Bank (IDA) signed an agreement No. 2206-UG, to undertake the Uganda First Urban Project (UFUP) in Kampala, Uganda.

The project was initially designed to support the government's efforts to decentralise the responsibility for planning, design and management of urban services to local authorities while assisting with the reconstruction of the country after a period of political instability, social strife and physical destruction.

About 85% of the project costs were within KCC and corresponding implementation responsibilities. The other beneficiaries were Ministry of Local Government (MLG), Uganda Management Institute (UMI) and Ministry of Lands Housing & Urban Development (MLHUD).

A Steering Committee (SC) chaired by the Ministry of Finance, Planning & Economic Development (MFPED), with representatives from the implementing agencies and representatives of the involved agencies took the overall responsibility during the initial years of the project. The day to day assistance for the project implementation was provided by a Project Coordination Unit (PCU) under the Ministry of Finance Planning & Economic Development.

The project was substantially restructured in October 1994 with a view to enable KCC to deliver and maintain basic municipal services and improve financial and operational performance. At restructuring some of the earlier planned activities were phased out and others consolidated.

Given the slow pace of progress in achieving the targets put forth in the 1994 restructured project, a proposal was made in November 1996 to restructure and reorganise the KCC and have it implement a programme of 'Strategic Framework for Reform' (SFR).

In 1997 the SFR programme was developed in-house in KCC and endorsed by all the relevant stakeholders in the organisation including the management of KCC, the labour union and the Council. The key elements of the SFR are as follows:

- Right sizing of KCC's staff base to retain just core staff for functional responsibilities associated with moving from traditional department based organisation to a service based cost centre structure.

- Contracting out selected functions (both services delivery and management) and

- Improving financial management practices.

IDA accepted to support KCC's efforts to transform the organisation by implementing the Strategic Framework for Reform. The last two years of the Uganda First Urban project were focused on implementing the strategic reforms in KCC.

2. STATEMENT OF OBJECTIVES

2.1. Project Objectives:

According to the Staff Appraisal Report, No. 8921-UG of 1990 the project objectives were outlined as:

(a) Improving living conditions and alleviating poverty in Kampala by restoring key infrastructure, services and related maintenance activities;

(b) Improving urban financial management by strengthening the revenue base of Kampala City Council and promoting sound urban recovery policies;

(c) Strengthening institutional capacity by:

  (i) supporting decentralised local urban management

  (ii) increasing Ministry of Local Government capacity to assist local authorities to increase revenue base and strengthen financial management and increasing Kampala City Council's capacity to manage urban land development.

Since the project restructuring, the project objectives have been as follows:

(a) To reorganise Kampala City Council into a service centred and demand responsive institution.

(b) Improve its financial and operational performance and introduce more effective and efficient service delivery mechanisms.

(c) Better service delivery through contracting out to the private sector.

(d) Improve financial management practices.

3. EVALUATION OF OBJECTIVES

3.1 Realism and Importance of Objective

The Uganda First Urban Project formed part of the Government's efforts in the reconstruction of the country after a decade of internal strifes and instability.

The project objectives as conceptualised at that time were very important for a city and a country which had gone through a series of wars and destruction.

The rehabilitation of the key infrastructure and alleviation of poverty were very important since all the major infrastructure had broken down and needed urgent attention. There were no systems in the local authorities and their financial base had terribly shrunk, thus making the delivery of services to their communities difficult.

The strengthening of the Ministry of Local Government rhymed very well with the state of the country at the time. There was need to establish a strong supervising institution in the Ministry of

Local Government to supervise the Local Government in the fields of financial management and generally provide direction to them.

At the time of project design, the planning activities were at a very low ebb in the country. There was serious lack of capacity in this field, both at the national and local government level. There was therefore an urgent need to rehabilitate and strengthen the country's urban planning capacity at both the national and local level to plan for the appropriate expansion of urban services.

The restructured project objectives and the KCC Strategic Framework for Reform were necessary to realign the project according to the need on the ground and consolidate the project objectives that had been so far achieved.

The project objectives as designed were therefore essential as there was serious need to rehabilitate the infrastructure in the country that had been destroyed after several years of political strife and mismanagement.

The project also came at a time when the country was starting a transition period from a centralised to a decentralised form of government which required sufficient training and capacity development for it to be effective.

However, achieving the right balance between focussing on urgent reconstruction on one hand and long term sustainability on the other was not always apparent to beneficiaries, largely due to initial administrative arrangements, with the project management based at the Ministry of Finance and Economic Planning as opposed to the line Ministry of Local Government and KCC, the major beneficiary. The project design also over estimated the implementation capacity of the Ministry of Finance and relied on it for speedy preparation and dissemination of the project information to the beneficiary agencies. This contributed to the delayed mobilisation of contractors and loan utilisation, factors which were addressed at the review of the project in 1996 and at the design of the KCC Strategic Framework for Reform.

COMPLEXITY OF THE PROJECT

The project implementation before the 1994 restructuring was complicated by the fluid political, economic and institutional environment on the ground. This led to the failure of Kawaala sites and services scheme and the KCC's failure to provide the counterpart funding portion.

There was poor communication/information flow between the central government and the direct project beneficiaries, who could not know in time the extent of their benefit out of the project.

EXTENT OF RISK IN THE PROJECT

The SAR identified one risk area: institutional weakness in the two implementing agencies i.e. Kampala City Council and Ministry of Local Government. The two had limited qualified staff. This risk however did not significantly affect the implementation of the project as many key posts in KCC and the Ministry of Local Government were filled prior to the project inception.

Political constraints to rapid increase in municipal taxes, rates and changes was another risk which was identified and affected the timely achievement of the revenue projections during the project implementation.

Land Tenure Systems in Kampala and the complication which were likely to arise therefrom was never identified as a risk in the SAR but it eventually affected the implementation of the Kawala

sites and services scheme and led to its subsequent cancellation. This very issue also delayed the implementation of the markets improvement component.

The risk of delays in procurement of goods and services was never identified, but those were unnecessary delays in procurement which affected the overall implementation schedules of the project.

ACHIEVENEMTN OF OBJECTIVES

Physical Objectives

Urban Markets Rehabilittion:

Three major markets; Owino, Bugolobi and Natete were rehabilitated and upgraded as planned. This created jobs to over 20,000 persons and improved the working environment of people working in those markets. Hence an action against poverty. The rehabilitation of these markets has resulted into vendors upgrading other markets in Kampala on the self help basis. Improvement of Nakawa market, Kabalagala market, Kiseka market, Makerere-Kivulu market and Kamwokya market are some of the impacts of the rehabilitation of the 3 markets under the UFUP.

Rehabilitation of Refuse Collection and Disposal Services

550 refuse skips were purchased and distributed to different locations in the city to assist in refuse storage. 30 pieces of plant for solid waste transportation were procured, which enabled KCC to increase its waste transportation by over 100%. The CE&S Mechanical Workshop was repaired and equipped with the essential equipment to handle the repairs and maintenance of the refuse trucks and plants.

A new sanitary landfill site was constructed and completed in 1996. This saved KCC from ad hock dumping that was in violation of the environment regulations and had serious public health implications.

Generally, rehabilitation of the refuse collection and disposal services under the project has enabled the improvement of the solid waste collection in the city resulting into a wider coverage area and improved utilisation of collection vehicles.

With the construction and operation of the new sanitary landfill site, Haphazard dumping was eliminated and the proper landfill management mechanism/standards are being followed.

Initial efforts to privatise the refuse collection and disposal were started under the project and by the closure of the project 13 private refuse firms were collecting refuse at a fee from homes and a solid waste ordinance had been passed by KCC as a measure to continue to improve the solid waste management in the city. Refuse disposal (landfill management) has been contracted and pilot refuse collection by contract was implemented in Makindye Division to test the feasibility of contracting out the service in areas where it cannot be privatised. Lessons and experiences learned from these contracts have enabled KCC to refuse its way forward in solid waste management system.

Roads and Drains Maintenance

Close to 45 km of Bitumen roads and 27km of gravel road together with associated drains, were rehabilitated under the periodic road maintenance contract, as compared to 20km of bitumen and 30 km of gravel roads as planned in the SAR.

In addition more than 120km of bitumen roads and the associated drains received routine maintenance during the project.

The Central Business District (CBD) traffic strategy document was prepared in 1998 leading to the Kyaggwe corridor traffic improvement scheme that was commissioned in March 2000.

The major impact of improvement on the road network during the project life have significant improvement in traffic flow which has contributed to the visible economic development in the city.

During the UFUP the designs for the rehabilitation of the Nakivubo Channel (the largest drainage channel in Kampala) together with auxiliary drains and spots that are prone to flooding in the city was carried out. Civil works for the improvement are already under way under the Nakivubo Channel Rehabilitation Project.

Programme for Strengthening Urban Investment Planning Capacity

The Kampala Structure Plan 1994 was produced under the UFUP. The structure plan included an action plan for improving service delivery with pilot projects implemented in the following areas;

(i) A road was constructed in Bukasa parish Makindye Division with full participation of the communities.

(ii) Drains were rehabilitated in Kasubi parish.

(iii) Stand piped water was provided in Butabika parish which up today is an important source for the community.

Detailed parish plans were also prepared for Mulago II and Luwafu parishes. However, to institutional weakness in KCC especially in the field of physical planning, no further work was done as a way of implementing the structure plan nor preparing detailed plans for other parishes.

Urban Management

Supply of Vehicles and Equipment:

In addition to capacity building and institutional development through technical assistance and training, KCC and the Ministry of Local Government obtained physical investments in form of vehicles, office equipment as well as repairs to office buildings at City Hall and UMI.

Vehicles, motorcycles, computers and assorted office equipment were procured as part of this component.

Financial Management and Revenue Improvement

One of the project objectives in the SAR was to improve financial management by strengthening the revenue base of KCC through the following actions:

(i) Improvement in data base.
(ii) Strengthening controls and improving collection procedures.
(iii) Sport check at collection prints to minimise borrowing by cashiers.

Kampala City Council's revenue collections have steadily improved since 1991 and by close of the project, KCC's revenue collections were shs 16.17bn in 1999/2000 as compared to opposed to shs 5.22bn in 1991/92. Street parking collection has been introduced as a new source of revenue, while collections from all the others have been improved.

The Table below shows the performance each revenue source since 1991.

On the side of Financial Management Systems improvement, the following actions had taken place by June 2000:

(i) Production of realistic budgets.

(ii) Cost centre budgeting had been introduced.

(iii) Introduction of computerised receipting in all the Division cash office to curb forgeries of receipts and enhance preparation of timely financial statements.

(iv) The process of data capture/update in the areas of Trade licences, Graduated tax property tax and Ground rent had been started by the closure of the project.

Strengthening Institution Capacity

Institutional strengthening and capacity building was aimed at strengthening KCC's general financial and personnel management systems and service operations. This would be achieved through;

(a) a linking arrangement with one or two mature local authorities, outside Uganda that can provide technical specialists and practical attachments for KCC officers in specific operational areas;

(b) creation and support of a training unit within KCC that can mobilize and manage a full range of human resource development programmes for KCC staff;

(c) specialised consultations and technical assistance in several fields.

(d) Short on-the-job, in-house and in-country training workshops and programs;

(e) Provision of appropriate assistance in the form of transport, training, furniture and equipment and training aids.

Institutional development support was initially provided by RH&H Consult, whose work focused on a combination of consultancy and technical assistance with particular emphasis on the latter.

RH&H outputs included on-the-job training, formal training, coaching, general institutional support, preparation of guidelines and documents for new procedures, etc.

The main thrust of in-service training in KCC from 1992 to 1995 was through the institutional development component of the UFUP. Over 14,000 person-training days were completed in 1992 – 1995, as well as professional training and out-of-country study tours for both technical staff and councillors.

At the start of the project, KCC's human resource management was worse than expected from the SAR. There was no real structure in place, there were no job descriptions and staff morale was extremely low. A new structure providing for 2100 posts in all grades (including decentralised functions) was prepared under the UFUP, and adopted in 1994. The staff list was verified and computerised together with the payroll. A review of the 1994 structure was carried out in 1999 to make it more focused with other strategic changes which had been introduced in KCC under the Strategic Framework for Reform.

Specialized consultancies were also obtained in several specialized areas, especially in engineering design. In 1997 KCC entered into a technical cooperation arrangement with Kirklees Metropolitan Council through which several technical staff and councillors have benefited from attachments with visible positive outputs.

FACTORS AFFECTING THE PROJECT

Factors Outside Government Control

1. The Land Tenure system at the time resulted into delays for all the market sites to be handed over to the contractor. This delayed the markets rehabilitation project.

2. The Land Tenure system resulted into the failure of the Kawala sites and services scheme and its eventual cancellation and reallocation of the funds was not cancelled.

3. The resettlement negotiations with the vendors who were operating in the markets also resulted into delays especially as far as handing over the sites to the contractors.

4. There was general administrative problems on the part of the clients which subsequently delayed procurement processes and delivery of goods.

Factors within the control of the Government

1. During the 1991-1995 there was some communication deficiency between KCC Specialists, project coordination and the beneficiary institutions outside the formal UFUP network, which would have been solved by the Government.

2. Some of the unnecessary delays in the procurement were partly caused by the Government, Central Tender Board which could have been sorted out. This was at the time when the bulk of procurements were made.

Factors within the Implementing Agencies

1. KCC and MLG as the key implementing agencies had problems of qualified personnel and this affected the implementation schedules and as supporting the specialists was concerned.

2. KCC had financial constraints and this delayed her meeting the counterpart portion. This was only sorted out after 1994 when a decision was reached to attach taxi park collections to the project.

3. The aspects/components of the project and the respective responsibility of KCC as a key beneficiary was never properly understood by the respective stakeholders in KCC. This to a certain extent delayed some decisions and resolve project related issues.

This could not be overcome until 1997 when KCC developed a Strategic Framework for Reform with full buy in of all the respective stakeholders.

1. Monitoring and Evaluation

The Steering Committee used to meet frequently and reviewed the performance and addressed specific project issues. However, not much was focused in this regard.

On the part of KCC, reports from the consultants did not get response in time and sometimes no action was taken on the requests of the project specialists. Little attention was placed over the issue of monitoring by KCC as a key beneficially especially in the first years of the project.

2. Project Sustainability

The Kampala City Council revenue base has not improved at the same pace with the demand to social services. This would affect the sustainability of the investment made during the UFUP life. However, with the implementation of the strategic framework for reform, and with the support from IDA through NCRP and LGDP component 3 specific aspects of the project will be sustained.

During the 1991-1996 period there was little input in the project administration from KCC. The project was driven by consultants who left little in terms of institution memory at the end of their contracts, which is one of the reasons why some of the recommendations made by consultants were never followed up. This was only addressed in 1998 when KCC took full management of the project through the Core Team. KCC has at the moment established a sound and capable capacity through this team for the efficient and speedy follow up on maintenance of the equipment and investments made under UFUP.

The Core Team has interfaced with IDA Specialists and KMC technocrats and this has put the members in a better position to manage further projects of similar magnitude.

3. Bank Performance

During the 1st years of the project the IDA Team visited the Implementing Agency (KCC) twice a year and these intervals were too long especially for a project which was just beginning in a country which had just come out of wars.

After 1995 the IDA team started visiting four times and this improved on the supervisory task on the side of the Bank.

The Bank's supervision missions were effective in assessing project implementation status as well as identifying required action. However the borrower's/implementing agency's slow response constrained the effectiveness and eventually affected the timely outputs of the project.

4. Borrower Performance

The institutional weakness in many aspects on the side of both the key implementing agency and Central Government affected the deliverables of the project and this necessitated the restructuring of the project in 1994 and the subsequent review of 1996. KCC's response to the project demands improved significantly changed when the steering of the project was put in her hands, and after defining the strategic framework for reform.

5. Assessment of outcomes

The project achieved a great number of the physical objectives. Roads were within the city rehabilitated, a new landfill site was developed which is still operational and it is operated at acceptable standards.

The road accessing the landfill site was upgraded to Bitumen standards to eliminate dust on the 5km stretch. Vehicles refuse trucks and containers plus an assortment of office equipment were procured and delivered. This contributed to the general improvement in performance levels by KCC.

The institution capacity development effects are visible up to day and the Core Team which managed the project and which is managing the NCRP and LGDP component 3 are direct benefit of the capacity building started under Uganda First Urban Project.

FUTURE OPERATION

KCC has contracted out 60% of the roads maintenance both in the CBD and in the Divisions. It is anticipated that 100% of road maintenance will be carried out by private contractors by the end of 2001.

KCC has contracted out the management of landfill site and this will continue for the near future, until it becomes feasible for privatisation. KCC has already passed a solid waste management ordinance which will enable private companies to collect refuse at a fee. A solid waste strategy has also been prepared by KCC to guide KCC's solid waste management effort and improvements.

Arrangements are already underway to open up an O&M Account for the landfill site to enable KCC continue with a private contractor when IDA funding exits. Regarding markets, the daily maintenance of the markets is a responsibility of the markets management contractors.

KCC's role, as outlined in the strategic framework for reform, will be to provide regulatory and supervisory role and encourage the private sector to deliver services directly to the communities. KCC will continue operations only in these fields which the private sector cannot handle satisfactorily.

INSTITUTIONAL SUPPORT COMPONENT

KCC has approved a new organisation structure based on the new operation mechanisms as spelled out in the SFR. The implementation of this structure started in June 2000 with retrenching of 107 workers in the first phase. Close to 200 workers will be retrenched in the second phase.

Development of capacity of the staff who will remain will continue with specifically focused training taking place on-job, and through exchange with Kirklees Metropolitan Council in different fields.

A new salary structure is being worked out and is expected to be part of the capacity building (motivation) once it is implemented. The institutional support and capacity building that was started under UFUP will continue through the NCRP and LGDP. It is anticipated that KCC will emerge as an intelligent client with a well remunerated, qualified staff by the year 2002.

KEY LESSONS LEARNED.

- Reporting and General Project Management

  UFUP was managed directly by the Central Government (MoLG and MoFPED) with very little say by Kampala City Council, who was the key beneficially. This resulted into unnecessary delays of decisions and sometimes frustration on the part of KCC. In future all projects must be designed with key beneficiaries/implementing agency taking a stake in directing the project.

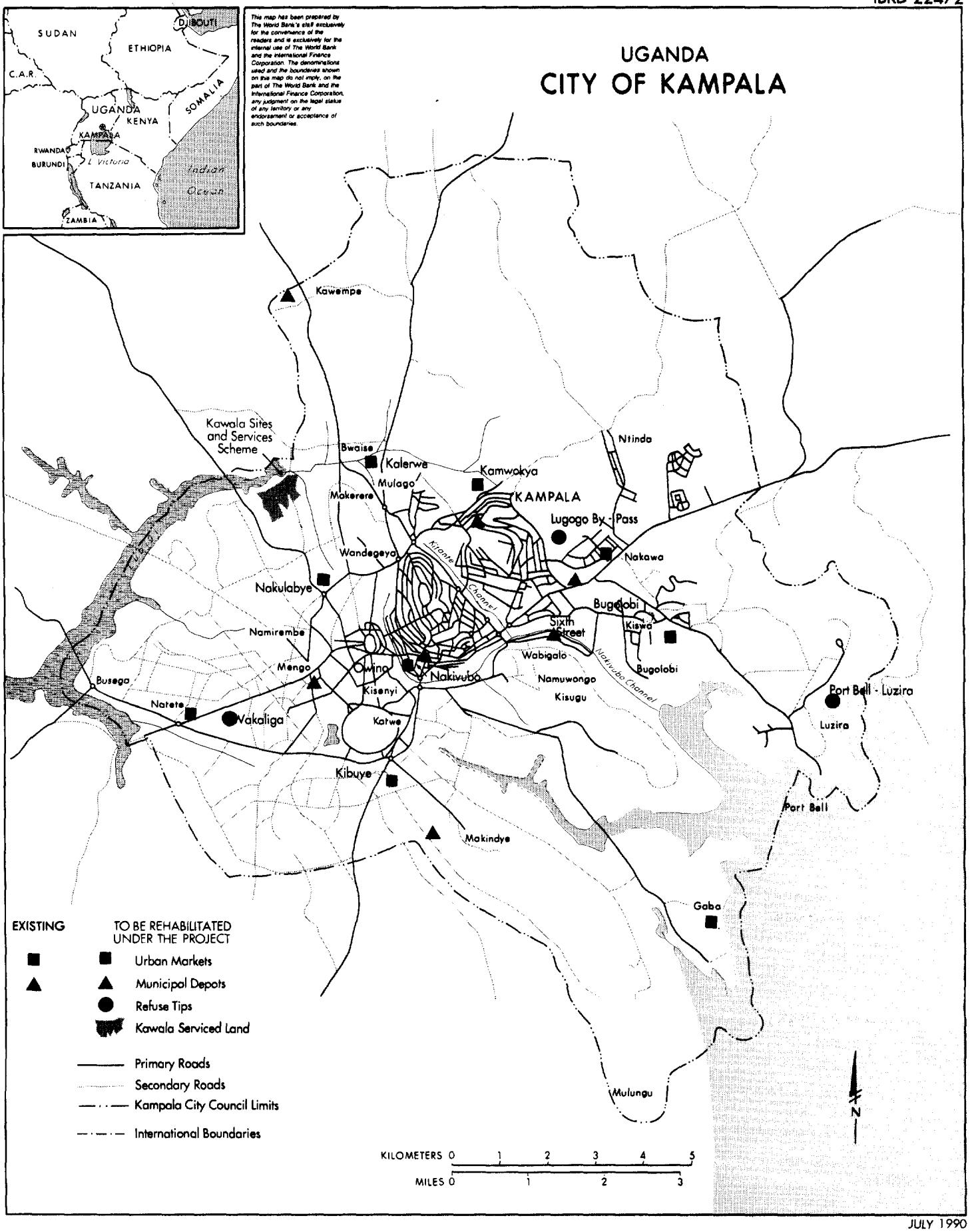
- Procurement guidelines were not familiar to the specialists during the initial years of the project despite their availability. This resulted into unnecessary delay in procurement and actual delivery of goods and works.

It is important that all complexities and possible risks are properly identified and mitigation strategies designed from the outset. Somehow this was not exhaustively done and subsequently resulted into implementation difficulties for some project components.

The Project Management until 1995 depended heavily on the external consultants who were the drivers of all the components. This created a vacuum when they eventually left and led to poor follow-up of some of the recommendations.

MAP SECTION

IBRD 22472



JULY 1990