

Ministry of Lands, Housing and Urban Development

UGANDA SUPPORT TO MUNICIPAL INFRASTRUCTURE DEVELOPMENT (USMID) PROGRAM

Summary Status Report to MPs and Stakeholders, February 10, 2017

1. Introduction

The Uganda Support to Municipal Infrastructure Development Program (USMID) is a government of Uganda program executed by the Ministry of Lands, Housing and Urban Development (MLHUD) and financed by a US\$ 150 million dollar credit from the World Bank. A government contribution of US\$ 10 million dollars is made directly to local governments as development grants. The program became effective on 4th September 2013 and will end in December 2018.

The overall program objective is **to enhance the institutional performance of the 14 Program Municipal Local Governments to improve urban service delivery.**

The Program Municipalities include: Arua, Gulu, Lira, Soroti, Moroto, Mbale, Tororo, Jinja, Entebbe, Masaka, Mbarara, Kabale, Fort Portal and Hoima.

Program Outputs:

1. Enhanced capacity of 14 MCs to perform their responsibility of sustained urban service delivery,
2. Enhanced capacity of MLHUD to perform its mandate of urban development,
3. Expanded urban infrastructure development in the 14 MCs.

The program is implemented through annual grants to Municipal Councils (Municipal Development Grant-MDG and Municipal Capacity Building Grand-MCBG) over a five year period (2013-2018).

Support to Municipalities focuses on seven result areas:

1. Improved linkage between Municipal Physical Development Plan, Five year Development Plan and Annual Budget.
2. Increased Municipal Own Source Revenue (OSR).
3. Improved Procurement Management.
4. Improved Municipal Accounting and Financial Management.
5. Improved Execution/Implementation of budget for improved urban service delivery.
6. Improved Accountability and Transparency (monitoring and communication).
7. Enhanced Environmental and Social Sustainability.

Performance in the above result areas is assessed annually and based on the performance score obtained, funds are disbursed from IDA in amounts proportional to the performance score.

An independent technical Mid-Term Review (MTR) of the program was carried out by a Consultant, M/S Business Synergies Ltd. who submit a final report to the Ministry of Lands, Housing and Urban Development and the World Bank in July 2016. The MTR concluded that the program was on course to meet the set objectives and recommended a follow-on program (USMID II) to build on the achievements made.

2. Program Implementation Arrangements

2.1 Program Management

The Program has three levels of management as follows:

- **Program Steering Committee (PSC)** composed of Permanent Secretaries for Ministry of Lands, Housing and Urban Development (Chairperson), Ministry of Finance, Planning and Economic development, Ministry of Local Government and Ministry of Public Service. This committee provides policy guidance and hence convenes whenever such a need arises.
- **Program Technical Committee (PTC)** which is a multi-sectoral committee that gives technical guidance on program implementation. The committee has members from the following agencies:
 - i) Ministry of Lands, housing and Urban Development (Chair)
 - ii) Ministry of Finance, Planning and Economic Development
 - iii) Ministry of Local Government
 - iv) Ministry of Works and Transport
 - v) National Environment Management Authority (NEMA)
 - vi) Public Procurement and Disposal of Public Assets Authority (PPDA)
 - vii) Local Government Finance Commission (LGFC)
 - viii) Urban Authorities Association of Uganda (UAAU)
 - ix) Program Support Team/ PST (Secretary)

The PTC meets quarterly to give technical guidance, review progress, receive reports and approve workplans. During quarterly meetings, Inspectorate of Government (IGG), Auditor General (OAG), Municipality leadership and Municipal Development Forums (MDF) attend and participate in the deliberations as ex-officio. The PTC also meets whenever technical issues concerning program management need to be addressed.

- **Program Support Team (PST)** under the Ministry of Lands, Housing and urban development responsible for ensuring prompt and efficient overall coordination, implementation and communication of program activities and results. The PST has a Program Coordinator, Municipal Infrastructure Specialist, M&E Specialist, Physical Planning Specialist, Finance and Accounting Specialist, Environment and Social Management Specialist, Procurement Specialist and Project Engineer who work on a fulltime basis on the program.
- **Program Municipalities** who are responsible for executing, reporting and accounting for capacity building and infrastructure sub-projects within their Municipalities. The Municipalities receive about 85% of all program funds for executing their projects.

2.2 Financing Arrangements

USMID funding is through the new financing arrangement of the World Bank called the Program for Results (P for R). USMID is the only project in Uganda where this funding instrument is being used. Under this financing arrangement, annual performance targets are set and funds are disbursed from World Bank to government in direct proportion to the level of achievement of the set performance targets. It essentially means that if performance achieved is higher than the target, more funds than projected are disbursed. Similarly, if achieved performance is lower than target, less funds are disbursed.

Once funds are received from the World Bank, transfer to Municipalities also depends on the performance of each individual Municipality relative to the others. It means that Municipalities that perform better receive more funds than the less performing ones. Performance assessment is carried out by an Independent Verification Agent (IVA) a private consultancy Firm who reports results to the World Bank and MLHUD.

The IVA recommends the annual grant allocation to each Municipality based on application of the government funds allocation formula that considers Municipality population, area, poverty count and assessed performance score. The results of grant allocation to each Municipality are approved by the PTC before grants are transferred to Municipalities.

After every performance assessment, upon notification by MoFPED, the World Bank confirms achievement of Program results and consequently informs MoFPED and MLHUD how much funds are available for use for Municipalities and MLHUD. A schedule of funds allocation is prepared and funds transferred to Municipalities as MDG and MCBG. Funds availed to the Municipalities are published in the print media for information of all stakeholders.

2.3 Fiduciary, Financial management and Monitoring Arrangements

Financial management and procurement under USMID follows government of Uganda procedures. The Town Clerks are the accounting officers for all grants transferred to Municipal Councils. MLHUD as executing agency on behalf of government offers technical support to ensure that implementation leads to achievement of program objectives and that any capacity gap(s) in the Municipal Councils are addressed.

Municipal Councils are responsible for:

1. Prioritizing urban infrastructure projects to be funded under USMID. Eligible infrastructure includes: *rehabilitation of urban roads and associated infrastructure; urban solid and liquid waste management; water and sewerage extension to peri-urban areas; urban local economic infrastructure such as markets, slaughter houses, etc.; urban transportation (bus/taxi/lorry parks) and urban beautification.*
2. Implementation of prioritized projects including approval of engineering designs, procurement of contractors and consultants and contract management.
3. Preparation and execution of the Municipal capacity building plan.

4. Making quarterly progress reports of implementation of infrastructure projects and execution of capacity building workplan and accountability of program funds.

MLHUD is responsible for:

1. Timely transfer of allocated MDG and MCBG to Municipalities.
2. Support Municipalities through capacity building outreach programs to ensure achievement of the seven key program result areas of:
 - i) Improved linkage between Municipal Physical Development Plan, Five year Development Plan and Budgeting.
 - ii) Increased Municipal Own Source Revenue (OSR).
 - iii) Improved procurement performance.
 - iv) Improved Municipal Accounting and core financial management.
 - v) Improved Execution/Implementation of budget for improved urban service delivery.
 - vi) Improved accountability and transparency (monitoring and communication).
 - vii) Enhanced environmental and social sustainability (Environmental, social and resettlement due diligence).
3. Approve and guide Municipalities in implementing their capacity building plans.
4. Support Municipalities to execute their infrastructure investment projects.
5. Prepare and implement annual capacity building work-plans acceptable to the World Bank. The MLHUD workplan includes capacity building to MLHUD in areas of systems development, tooling of the ministry, design of follow-on operation to USMID and program implementation.

Monitoring and Quality Assurance

Progress of implementation of program activities is monitored in several ways as follows:

1. Quarterly Municipal Council reports submitted to MLHUD and MoFPED
2. Consolidated Quarterly reports prepared by MLHUD and submitted to MoFPED
3. Annual progress reports prepared by MLHUD submitted to World Bank and MoFPED.
4. Annual performance assessments carried out by an Independent Verification Agent (IVA), a private Consultancy Firm.
5. Annual quality assurance reviews carried out independently by the World Bank to verify quality of the IVA results and raise issues needing attention.
6. Annual value for money technical audit carried out by Office of the Auditor General (OAG).
7. Biannual implementation support missions carried out by the World Bank to check progress and make technical, safeguards and overall assessment of program implementation progress.
8. Annual procurement audits carried out by PPDA to assess compliance of procurement process with the PPDA regulations and laws.

9. Quarterly PTC meetings to assess progress and level of implementation of agreed actions made from time to time.
10. Quarterly MoFPED/World Bank portfolio review meetings chaired by PS/ST.
11. At the Municipality level there is established a grievance and complaints handling desk to register and monitor implementation of grievances and complaints on service delivery at the Municipality.

3. Progress

3.1 Institutional Capacity Building Support to Municipalities

Institutional capacity building (CB) at the Municipal Local Governments is done through two approaches:

- (i) **Supply-driven CB support** through outreach activities spearheaded by MLHUD through the PST and provision of specialized consultancy services that cut across all Municipalities and,
- (ii) **Demand-driven CB support** through execution of activities funded under the Municipal Capacity Building Grant (MCBG) by MCs.

3.2 Implementation of the Municipal Capacity Building Grant

A total of UGX 28.47 billion has so far been transferred to Municipalities as MCBG for institutional capacity strengthening. Details are in table 1 below. These funds are used by the Municipalities for career development, retooling and discretionary capacity building activities that aim at institutional strengthening for improved urban service delivery.

Table 1 Transfer of MCBG to MCs to date, January 2017

No.	Municipal Council	Transfers to Municipal Councils					
		2014 (UGX)	2015 (UGX)	2016 (UGX)	2016 Used to procure Specialized Equipment	2017 (UGX)	Cumulative Amount (UGX) as at Jan 2017
1	Arua	438,553,614	472,563,420	140,358,250	292,668,180	725,038,973	2,069,182,437
2	Entebbe	438,553,614	472,563,420	131,429,960	292,668,180	462,475,833	1,797,691,007
3	Fort Portal	438,553,614	472,563,420	226,115,110	292,668,180	633,660,952	2,063,561,276
4	Gulu	438,553,614	472,563,420	247,444,500	292,668,180	669,817,492	2,121,047,206
5	Hoima	438,553,614	472,563,420	425,041,390	292,668,180	642,989,327	2,271,815,931
6	Jinja	438,553,614	472,563,420	61,785,320	292,668,180	725,297,129	1,990,867,663
7	Kabale	438,553,614	472,563,420	331,117,700	292,668,180	704,923,354	2,239,826,268
8	Lira	438,553,614	472,563,420	470,458,020	292,668,180	579,232,679	2,253,475,913
9	Masaka	438,553,614	472,563,420	0	0	256,665,641	1,167,782,675
10	Mbale	438,553,614	472,563,420	334,355,620	292,668,180	243,555,672	1,781,696,506
11	Mbarara	438,553,614	472,563,420	280,696,700	292,668,180	477,531,094	1,962,013,008
12	Moroto	438,553,614	472,563,420	374,924,010	292,668,180	574,745,674	2,153,454,898

No.	Municipal Council	Transfers to Municipal Councils					
		2014 (UGX)	2015 (UGX)	2016 (UGX)	2016 Used to procure Specialized Equipment	2017 (UGX)	Cumulative Amount (UGX) as at Jan 2017
13	Soroti	438,553,614	472,563,420	466,993,720	292,668,180	537,720,586	2,208,499,520
14	Tororo	438,553,614	472,563,420	457,218,220	292,668,180	732,030,434	2,393,033,868
	Total	6,139,750,596	6,615,887,880	3,947,938,520	3,804,686,340	7,965,684,840	28,473,948,176

3.3 Key Achievements under Municipal Institutional Capacity Building

- All Municipalities have been equipped with necessary office equipment and furniture.
- All Municipalities have received specialised technical equipment to guide urban development: Engineering, physical planning, surveying and environment management.
- All Municipalities have property rates and revenue source registers.
- All Municipalities have been assisted to update their Municipal Physical Development plans.
- A Complaints handling desk has been established and equipped at each MC for registering and monitoring complaints and grievances on service delivery.
- Municipal staff have undergone training in key performance areas, e.g. financial management, procurement management, technical engineering skills, environmental and social management, land acquisition, rehabilitation and resettlement, project management, GIS operations.
- Each Municipality has a fully functioning Municipal Development Forum (MDF)
- All 14 Municipalities have fully equipped and installed IFMS. All necessary equipment both software and hardware including, well-ventilated offices, computer & associated hardware, internet connectivity and standby electricity power supply are installed and are fully functional.

Evidence of improved institutional capacity of Municipalities is obtained from the results of the annual performance assessments that have returned higher scores than the target in the last four assessment. See table 2.

Table 2 Annual Performance Assessment Results

No. and Date of results	IVA	Target Score (%)	Average Score (All MCs) (%)	Lowest Score (%) and MC	Highest Score (%) and MC
1: Dec 2013	KPMG (EA)	50	61.0	44.4 (Gulu)	72.8 (Mbarara)
2: Feb 2015	KPMG (EA)	60	64.9	52.5 (Moroto)	84.5 (Entebbe)
3: July 2015	KPMG (EA)	70	72.5	51.6 (Fort Portal)	83.9 (Gulu)
4: June 2016	UPIMAC	80	84.5	72 (Hoima)	98 (Soroti)
5: Expected in May 2017	UPIMAC	90			

3.4 Key Achievements under Institutional CB at MLHUD

Only about 17.5% of all received Program funds are used for program management and institutional capacity building of the Ministry of Lands, Housing and Urban Development and also for roll-out of IFMS system in the Municipalities. These funds (see table 3 below) are used for the following activities managed by MLHUD:

1. Capacity building of MLHUD including staff training, provision of office equipment & furniture, procurement of vehicles and office renovations,
2. Development of systems for urban development which includes support to the 3 MLHUD Directorates and all departments: development of a GIS system for urban development, frameworks for compliance to physical development plans, support to National Physical planning board, resettlement policy, etc.
3. Support to cross cutting studies in Municipalities: Engineering designs for batch 2 infrastructure, solid waste management strategies and development of Municipal drainage masterplans.
4. Roll-out of IFMS in all Municipalities undertaken by MoLG and MoFPED.
5. Procurement management training carried out by PPDA
6. Enhancement of Municipality own source revenue carried out by Local Government Finance Commission (LGFC).
7. Contracting the IVA to carry out annual performance assessments to trigger disbursement of funds from World Bank
8. Engaging Office of the Auditor General (OAG) to carry out annual value for money technical audits in the 14 Municipal councils.
9. Contracting an independent Firm to carry out annual environment and social audit of USMID projects.
10. Overall Program coordination and management including activities for PSC and PTC.

Table 3 Funds Received by MLHUD and Municipalities in US\$

	Year 1	Year 2	Year 3	Year 4	Total To date:	
Recipient:	FY2013/14	FY2014/15	FY2015/16	FY2016/17	Jan-17	%
A: Municipal Local Government Funds	19,227,750	18,055,729	28,867,210	26,405,637	92,556,326	82.5
B: Central Government (MLHUD) Funds	7,237,358	4,333,660	5,022,436	2,974,378	19,567,832	17.5
Grand Total	26,465,108	22,389,388	33,889,646	29,380,015	112,124,157	

Achievements and ongoing Capacity Building to MLHUD include:

- Procured of office equipment and furniture for MLHUD.
- Procured vehicles for program activities for all directorates.
- Supported the Ministry to hold the first JSR workshop.
- Prepared technical designs for the proposed renovations of MLHUD headquarters at Parliament avenue

- Undertook minor office refurbishments at MLHUD headquarters, department of surveys & mapping and upgrades at MZOs.
- Design and installation of an integrated GIS system for urban development that links the 14 MLGs to the DPPUD.
- Preparation of a land acquisition and resettlement policy.
- Preparation of sector development plan
- Preparation of national enforcement framework for compliance to physical development plans.

3.5 Procurement of Contracts

Capacity of Municipalities to procure civil works contracts

The World Bank report of May 2011 on the Diagnostic of Municipal Financial Management and procurement presented an assessment of capacity of the 14 USMID Municipalities to carry out the procurement function. The report notes thus: “Across all the 14 municipalities, the lack of capacity, skilled, experienced and competent personnel in procurement is and still remains a great impediment to conducting sound procurement practices. This lack of capacity is so acute at the local government level/municipality. The Consultant noted with concern the general lack of understanding of even the key procurement principles not to mention the general understanding of the definition of procurement as provided in the PPDA Act page 9; that manifest and pose as a main impediment to sound public procurement”. The assessment further noted that there were gaps in personnel established for both the procurement function and the infrastructure function that needed to be filled.

On infrastructure contract management the report noted that in all the 14 municipalities there was no evidence of any civil works contract closure nor a contract implementation management plan due to the lack of knowledge and experience in the management of contracts of a civil works nature or any procurement contract. The Consultant noted with concern the weak compliance and enforcement quandary as related to the procurement process at the municipalities. The Consultant further observed that for all the 14 municipalities bidder participation is very limited if any.

Based on the assessment made, the overall risk associated with the ability of the 14 municipalities to manage procurement under the proposed project was rated high.

Procurement in Clusters

In view of the above capacity assessment, MLHUD with guidance from the World Bank, PPDA and the Engineering design Consultant supported Municipalities to undertake procurement in clusters as follows:

Cluster 1: Arua, Gulu, Lira

Cluster 2: Soroti, Mbale, Tororo

Cluster 3: Jinja, Entebbe, Masaka

Cluster 4: Mbarara, Kabale, Fort Portal, Hoima

Cluster 5: Moroto.

Each cluster got one civil works contractor and supervising Engineering Consultant although contracts were signed by each individual Municipal Council. This had the added advantage of benefiting from economies of scale and also to allow cross learning within Municipalities which enhances a community of practice, a philosophy of USMID program.

Evaluation of bids was done by Municipality appointed evaluation committees but prior to evaluation a joint training of all technical evaluation committees was conducted by MLHUD. Contract committees were also trained.

The result of first procurement for civil works contractors for the first batch of infrastructure projects was as presented in Table 4 below:

Table 4 Procurement of Contracts for USMID Batch 1 Civil Work

Cluster	Municipality	Best Evaluated Bidder (BEB)	Contract Commencement Date
1	1. Arua	M/S. China Henan International Cooperation Group Co. (CHICO)	7th October 2014
	2. Gulu	M/S. China Henan International Cooperation Group Co. (CHICO)	26th August 2014
	3. Lira	M/S. China Henan International Cooperation Group Co. (CHICO)	26th August 2014
2	4. Soroti	M/S. Plinth Technicl Works Ltd.	27th June 2014
	5. Mbale	M/S. Plinth Technicl Works Ltd.	2nd June 2014
	6. Tororo	M/S. Plinth Technicl Works Ltd.	1st June 2014
3	7. Jinja	M/S. Longjian Road and Bridge Co. Ltd.	5th September 2014
	8. Entebbe	M/S. Longjian Road and Bridge Co. Ltd.	27th June 2014
	9. Masaka	M/S. Longjian Road and Bridge Co. Ltd.	4th September 2014
4	10. Mbarara	M/S. Shengli Engineering Construction Group Co. Ltd.	BEB pulled out of process before contract signature
	11. Kabale	M/S. Shengli Engineering Construction Group Co. Ltd.	BEB pulled out of process before contract signature
	12. Fort Portal	M/S. Shengli Engineering Construction Group Co. Ltd.	BEB pulled out of process before contract signature
	13. Hoima	M/S. Shengli Engineering Construction Group Co. Ltd.	BEB pulled out of process before contract signature
5	14. Moroto	Rock Trust Co. Ltd	5th August 2014

Cluster 4 had challenges when the Best evaluated bidder pulled out due to reduced scope and after several procurement attempts contractors were procured as in table 5.

Table 5 Contracts procured for cluster 4

Cluster	Municipality	Best Evaluated Bidder (BEB)	Contract Commencement Date
4a	Mbarara	M/S. Abubaker Technical Services Ltd.	22 nd March 2016
	Kabale	M/S Stone Construction Ltd.	30 th March 2016
4b	Fort Portal	M/S. Plinth Technical Works Ltd.	23 rd February 2015
	Hoima	M/S. Plinth Technical Works Ltd.	13 th February 2015

3.6 Infrastructure Improvements in MLGs

All municipalities are now implementing batch 1 infrastructure projects. Implementation progress is at different stages. The latest to sign contracts were cluster 4a Municipalities of Mbarara and Kabale who signed contracts in March 2016. Table 6 illustrates status of progress of ongoing works.

Table 6 Status of Municipal Infrastructure Implementation: Batch 1a

Cluster	No.	Municipality	Number of Roads	Total Length (km)	Average width of roads (m)	Total Cost of works (Construction and supervision) (UGX)	Expected Substantial Completion
1	1	Arua	2	1.68	6.5	6,331,014,884	Substantially completed. Commissioned on 1 November 2016
	2	Gulu	5	3.637	11.6	16,559,693,434	Substantially Completed. Commissioned on 2 November 2016
	3	Lira	6	2.285	16.08	11,065,003,758	Substantially Completed. Commissioned on 3 November 2016
2	4	Mbale	4	3.142	28	10,478,902,703	30-Sept-16: Under Liquidated damages
	5	Soroti	5	2.862	7.5	6,362,912,439	30-Sept-16: Under Liquidated damages
	6	Tororo	6	1.503	10.42	5,491,418,936	30-Sept-16: Under Liquidated damages
3	7	Jinja	1	2.22	12.2	8,924,040,512	Completed and Commissioned on 24 October 2016
	8	Entebbe	4	2.193	10	7,704,979,065	Completed and commissioned on 1 September 2016.
	9	Masaka	2	1.559	12	6,989,486,964	Completed and Commissioned on 26 October 2016
4a	10	Mbarara	4	3.473		18,321,085,130	31-Mar-17

Cluster	No.	Municipality	Number of Roads	Total Length (km)	Average width of roads (m)	Total Cost of works (Construction and supervision) (UGX)	Expected Substantial Completion
	11	Kabale	3	2.439		13,461,289,421	30-Mar-17
4b	12	Fort Portal	2	0.618	8	4,749,236,012	22-Nov-16, Under Liquidated damages
	13	Hoima	7	2.732	18.75	10,756,172,458	27-Aug-16, Under Liquidated damages
5	14	Moroto	Bus Terminal Phase 1	NA	NA	1,341,682,334	Phase I Completed.
			Bus Terminal Phase 2	NA	NA	2,873,279,630	On course
		Total/Average	51	30.343	12.82	131,410,197,680	

Table 7 Details of USMID roads for each Municipality (Batch 1a)

S. No.	Municipality	USMID Roads rehabilitated/Under rehabilitation
1	Arua	Enyau Road and Idi Amin Road: Total 1.68 km Works Completed
2	Entebbe	Church Rd, Nyondo Rd, Basude Rise, Fulu Rd: Total: 2.193 km: Works Completed
3	Fort Portal	Nyakana Rd, Kagote Rd: Total 0.613 km. Works delayed.
4	Gulu	Ring Rd, Labour Line Rd, Acholi Lane Rd, Alokolum Rd, and Cemetery Rd: Total 3.637 km. Works Completed.
5	Hoima	Rukurato Rd, Main Street, Old Toro Rd, Coronation Rd, Persy Rd, Government Road, Kabalega Rd: Total 2.732 km. Works delayed.
6	Jinja	Nalufenya-Clive Road West: Total 2.22 km. Works Completed
7	Kabale	Nkunda Rd, Keita Rd, Nyerere Rd, Nyerere Av., Kigongi Rd. Total 2.439 km. Works commenced in March 2016, ongoing
8	Lira	Aduku Rd, Oyite Ojok Rd, Imat Maria Rd, Maruzi Rd, Awange Mola Rd, Ambobhai Rd: Total 2.285 km. Works Completed.
9	Masaka	Yellow knife Rd Kabula Street Drainage: Total 1.559 km. Works Completed.
10	Mbale	Republic Street, Pallisa Rd, Mugisu Hill, Nabuyonga Rise: Total 3.142 km. Works grossly delayed.
11	Mbarara	Akiki-Nyabongo Rd, McAllister Rd, Constatino Lobo Rd and Buremba Rd. Total 3.43 km. Works commenced in March 2016, ongoing.
12	Moroto	Construction of Moroto Municipal Council bus terminal and parking yard. Phase 1 completed, phase 2 ongoing.
13	Soroti	Cemetery Rd, Central Avenue, Alanyu Rd, Liverpool Rd, Serere Rd: Total 2.862 km. Works grossly delayed
14	Tororo	Kashmir Rd, Tagore West, Bazaar Street, Obuya Lane, Park Lane and Tagore East: Total 1.503 km. Works delayed.
	Total	30.3 km

Table 8 Ongoing Works: Additional Works (Batch 1b)

S. No.	Municipality	Contractor and Supervisor	Roads under rehabilitation	Total Cost of works (Construction and supervision) (UGX)
1	Arua	M/S Chongqing International Construction Corporation (CICO) [UGX 4,559,632,503] UB Consulting Engineers [UGX 243,810,000]	Lemerijoa Rd: Total 0.875 km Works Commenced in March 2016	4,803,442,503
2	Gulu	M/S Chongqing International Construction Corporation (CICO) [UGX 23,146,340,519] UB Consulting Engineers[UGX 293,000,000]	Kabalega Rd, Adonga Rd, Crane Av, Philip Turner Rd, Odur Min Odyek Rd, Commercial Rd, School Rd, Salvatore Olwochi Rd, Oponya Walter Rd and Muroi Rd (10 No.) : Total 4.046 km. Works commenced in March 2016	23,439,340,519
3	Lira	M/S Chongqing International Construction Corporation (CICO) [UGX 5,345,786,843] UB Consulting Engineers[UGX 243,810,000]	Oyam Rd, Rwot Aler Rd, Aroma Lane: Total 0.990 km. Works Commenced in May 2016	5,589,596,843
4	Entebbe	M/S Traminco (U) Ltd. [UGX 4,600,000,000] M/S Joadah Consult [UGX 368,000,000]	Gabunga Rd, Lutwama Rd, Muwawula Rd, Serumaga Rd (4 No.): Total: 1.0 km: Works to commence in July	4,968,000,000
5	Masaka	M/S Traminco (U) Ltd. [UGX 14,949,965,106] M/S Joadah Consult [UGX 451,000,000]	Budu Str (645 m dual); Edward Av (630 m dual); Jathabai str (320 m) and Sese str drainage (275 m) (4 No.) : Total 1. 870 km. Works to commence in July	15,400,965,106
	Total		8.781 km	54,201,344,971

Therefore total funds committed to Batch 1 Municipal Infrastructure: **UGX 185,611,542,651**

No. of Roads completed and under construction/Batch 1: **73 Roads** of total length: **39.124 km.**

3.7 Value for Money Audit by OAG

The Auditor General has so far carried out 2 Value for Money (VfM) technical audits of the 14 USMID Municipalities financed under USMID for FY 2013/14 and FY 2014/15. The technical audits are carried out on each Municipality as an entity and projects audited are both USMID funded and non-USMID funded. The purpose of the audit is to show how Municipal infrastructure projects implementation is, in terms of economy, efficiency and effectiveness but also the results are used by the World Bank to disburse funds to the program. The better the VfM audit outcome the more the funds disbursed by the World Bank. Because of the lessons learned from VfM audit under USMID, the auditor general is proposing a similar kind of audit to be rolled-out and scaled up in other local governments.

Results of the VfM audits expressed as percentage score are presented in table 9 and table 10 below.

Table 9 VfM Audit Results for FY 2013/14

S. No	Municipality	Performance Measure			Municipal Total Score (%)
		Economy (Max 10)	Efficiency (Max 50)	Effectiveness (Max 40)	
1	Arua	8.7	39.8	25.7	74.2
2	Entebbe	6.7	40.5	29.0	76.2
3	Fort Portal	8.7	46.2	26.8	81.7
4	Gulu	5.7	43.8	22.3	71.8
5	Hoima	7.3	39.8	25.5	72.6
6	Jinja	7.3	44.2	26.7	78.2
7	Kabale	8.7	42.1	26.7	77.5
8	Lira	5.8	41.3	29.8	76.9
9	Masaka	7.3	43.7	28.5	79.5
10	Mbale	10.0	47.6	23.8	81.4
11	Mbarara	8.7	42.2	30.5	81.4
12	Moroto	6.0	39.6	22.2	67.8
13	Soroti	6.4	40.8	19.4	66.6
14	Tororo	6.0	28.2	22.4	56.6
	Average:	7.4	41.4	25.7	74.5

Average rating for value for money audit for FY2013/14 infrastructure works was 74.5% above the target of 70%.

Table 10 VfM Audit Results for FY2014/15

S.No	Municipality	Performance Measure			Municipal Total Score (%)
		Economy (Max 30)	Efficiency (Max 35)	Effectiveness (Max 35)	
1	Arua	30.00	30.04	32.71	92.75
2	Entebbe	29.06	29.21	34.43	92.70
3	Fort Portal	30.00	18.79	17.56	66.35
4	Gulu	6.22	30.86	31.63	68.71

S.No	Municipality	Performance Measure			Municipal Total Score (%)
		Economy (Max 30)	Efficiency (Max 35)	Effectiveness (Max 35)	
5	Hoima	29.82	19.25	29.75	78.82
6	Jinja	28.91	31.94	32.59	93.44
7	Kabale	28.63	30.34	23.89	82.86
8	Lira	29.77	27.99	31.87	89.63
9	Masaka	28.45	26.61	34.32	89.38
10	Mbale	21.32	28.02	29.71	79.05
11	Mbarara	20.42	31.65	29.89	81.96
12	Moroto	26.18	29.07	31.72	86.97
13	Soroti	4.17	28.05	25.58	57.80
14	Tororo	26.86	26.08	33.67	86.61
	Average:	24.27	27.71	29.95	81.93

Average rating for value for money for FY2014/15 infrastructure works was 81.9% above the target of 80%.

3.8 Financial Progress

3.8.1 Funds Withdraw from IDA/World Bank

So far US\$ 112,124,157.08 has been withdrawn from IDA representing 81 % of the total loan amount. Of this 83% has been sent to Municipalities as MDGs and MCBGs. A balance of about US\$ 37 million is yet to be disbursed for program operations for FY2017/18. Table 11 shows the funds disbursement schedule.

Table 11 Comparison of Projected funds to Received Funds (US\$)

DLI	Year 1		Year 2		Year 3		Year 4		Year 5		Cumulative Disbursement
	FY2013/14		FY2014/15		FY2015/16		FY2016/17		FY2017/18		
A: Municipal Local Government Funds	Projected	Disbursed	Projected	Disbursed	Projected	Disbursed	Projected	Disbursed	Projected	DS	
DLI 1: Program Minimum Conditions met:	5,548,823.24	5,537,592.00	5,548,823.24	4,961,916.00	5,548,823.24	5,047,956.00	5,548,823.24	4,964,652.00	5,548,823.24		20,512,116.00
DLI 2: Municipal Institutional Improvement:	11,251,780.46	11,229,006.00	11,251,780.46	10,888,516.68	11,251,780.46	10,599,619.49	11,251,780.46	10,630,795.54	11,251,780.46		43,347,937.70
DLI 3: Urban Infrastructure Delivery:	-	-	-	-	10,789,378.52	10,976,098.75	10,789,378.52	8,603,677.10	10,789,378.52		19,579,775.85
DLI 4: Municipal Capacity Building Plan Implementation:	2,466,143.66	2,461,152.00	2,466,143.66	2,205,296.00	2,466,143.66	2,243,536.00	2,466,143.66	2,206,512.00	-		9,116,496.00
Sub-Total To Municipal Local Governments	19,266,747.36	19,227,750.00	19,266,747.36	18,055,728.68	30,056,125.88	28,867,210.24	30,056,125.88	26,405,636.64	27,589,982.22		92,556,325.56
B: Central Government (MLHUD) Funds											
DLI 5: MLHUD Capacity Building Plan Implementation:	4,007,483.45	4,003,844.00	2,003,741.73	1,798,888.00	2,003,741.73	1,822,873.00	2,003,741.73	1,792,791.00	2,003,741.73		9,418,396.00
DLI 6: Town Clerks in Post:	1,233,071.83	1,231,592.00	1,233,071.83	1,185,605.57	1,233,071.83	1,201,413.53	1,233,071.83	1,181,587.18	1,233,071.83		4,800,198.27
DLI 7: IFMS Roll out:	2,851,478.61	2,001,922.00	2,851,478.61	1,349,166.00	-	1,998,149.25	-	-	-		5,349,237.25
Sub-Total to Centre (MLHUD)	8,092,033.89	7,237,358.00	6,088,292.17	4,333,659.57	3,236,813.56	5,022,435.78	3,236,813.56	2,974,378.18	3,236,813.56		19,567,831.52
Grand Total	27,358,781.25	26,465,108.00	25,355,039.53	22,389,388.25	33,292,939.44	33,889,646.02	33,292,939.44	29,380,014.81	30,826,795.78		112,124,157.08

3.8.2 Funds Transfer to Municipalities

To date a total of UGX 295.8 billion of the credit amount has been transferred to Municipalities as Municipal Development Grants (MDG) and Municipal Capacity Building Grants (MCBG) as presented in table 12 below. In addition a total of UGX 22 billion government of Uganda contribution has been transferred to Municipalities for payment of VAT. Table 13 shows the transfer of VAT to Municipalities.

Table 12 Total transfer of funds to Municipalities

No.	Municipal Council	MDG and MCBG Transfers to Municipal Councils (UGX)									Cum. Total Amount, Feb. 2017
		2014		2015		2016			2017		
		MCBG	MDG	MCBG	MDG	MCBG	Specialized Equipment	MDG	MCBG	MDG	
1	Arua	438,553,614	2,598,140,991	472,563,420	2,981,990,536	140,358,250	292,668,180	5,978,459,611	725,038,973	5,761,392,014	19,389,165,589
2	Entebbe	438,553,614	2,689,196,081	472,563,420	2,820,233,130	131,429,960	292,668,180	4,476,461,557	462,475,833	4,716,174,938	16,499,756,713
3	Fort Portal	438,553,614	1,660,797,443	472,563,420	2,030,726,160	226,115,110	292,668,180	0	633,660,952	3,296,297,262	9,051,382,141
4	Gulu	438,553,614	8,162,894,235	472,563,420	9,946,929,720	247,444,500	292,668,180	20,563,375,917	669,817,492	19,664,659,438	60,458,906,516
5	Hoima	438,553,614	3,511,992,326	472,563,420	3,887,466,840	425,041,390	292,668,180	8,193,155,394	642,989,327	6,614,771,497	24,479,201,988
6	Jinja	438,553,614	3,193,079,981	472,563,420	2,931,537,180	61,785,320	292,668,180	5,391,907,756	725,297,129	5,119,949,571	18,627,342,151
7	Kabale	438,553,614	1,535,126,450	472,563,420	1,831,947,660	331,117,700	292,668,180	3,615,636,905	704,923,354	3,125,241,202	12,347,778,485
8	Lira	438,553,614	4,967,344,540	472,563,420	4,275,509,340	470,458,020	292,668,180	9,253,225,567	579,232,679	9,385,087,431	30,134,642,791
9	Masaka	438,553,614	3,041,414,632	472,563,420	4,068,651,210	0	0	7,661,499,719	256,665,641	6,968,257,174	22,907,605,410
10	Mbale	438,553,614	2,911,814,550	472,563,420	3,326,050,860	334,355,620	292,668,180	6,235,129,849	243,555,672	5,357,213,739	19,611,905,504
11	Mbarara	438,553,614	2,687,417,388	472,563,420	5,119,403,070	280,696,700	292,668,180	10,441,719,076	477,531,094	9,038,299,897	29,248,852,439
12	Moroto	438,553,614	446,244,780	472,563,420	552,571,380	374,924,010	292,668,180	1,176,993,542	574,745,674	1,130,563,700	5,459,828,300
13	Soroti	438,553,614	2,482,947,571	472,563,420	1,892,904,810	466,993,720	292,668,180	3,840,185,710	537,720,586	3,499,086,285	13,923,623,896
14	Tororo	438,553,614	1,938,535,424	472,563,420	1,860,317,400	457,218,220	292,668,180	3,803,915,199	732,030,434	3,683,783,032	13,679,584,923

No.	Municipal Council	MDG and MCBG Transfers to Municipal Councils (UGX)								Cum. Total Amount, Feb. 2017	
		2014		2015		2016			2017		
		MCBG	MDG	MCBG	MDG	MCBG	Specialized Equipment	MDG	MCBG		MDG
	Total	6,139,750,596	41,826,946,392	6,615,887,880	47,526,239,296	3,947,938,520	3,804,686,340	90,631,665,803	7,965,684,840	87,360,777,180	295,819,576,847

Year 1 Funds received on 29th January 2014

Year 2 Funds received on 22nd April 2015

Year 3 Funds received on 28th September 2015; DLI 3 funds for 3rd year transferred on 20th April 2016

Year 4 Funds were Transferred to Municipalities in January 2017

Table 13 GoU transfer of VAT funds to Municipalities (FY 2015/16)

	Municipal LG	Quarter 1	Quarter 2	Quarter 3	Q4	Grand Total
1	Arua	454,702,809	93,087,410	76,135,455	522,121,255	1,146,046,929
2	Entebbe	610,511,646	90,784,720	74,252,103	509,205,615	1,284,754,084
3	Fort Portal	851,291,910	80,406,854	65,764,129	450,996,837	1,448,459,730
4	Gulu	1,492,996,642	154,188,851	126,109,840	864,835,283	2,638,130,616
5	Hoima	559,304,343	145,616,382	119,098,485	816,752,860	1,640,772,070
6	Jinja	428,917,709	125,541,710	102,679,570	704,155,326	1,361,294,315
7	Kabale	-	274,415,357	224,442,147	1,259,177,976	1,758,035,480
8	Lira	679,169,525	135,820,096	111,086,181	761,806,127	1,687,881,929
9	Masaka	551,818,305	69,258,998	56,646,386	388,469,239	1,066,192,928
10	Mbale	82,738,555	204,089,587	166,923,257	1,479,391,809	1,933,143,208
11	Mbarara	-	374,492,478	306,294,432	1,680,504,069	2,361,290,979
12	Moroto	927,312,067	0	-	-	927,312,067
13	Soroti	70,971,133	120,517,997	98,570,715	873,603,306	1,163,663,151
14	Tororo	94,460,149	102,273,207	83,648,446	741,352,612	1,021,734,414
	Total	6,804,194,793	1,970,493,647	1,611,651,146	11,052,372,314	21,438,711,900

Date Transferred:	9/7/2015	6/23/2016	6/24/2016
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NB: Quarter 3 and 4 funds were transferred concurrently.

4. Key Recommendations from Mid Term Review (MTR)

As pointed out earlier, a mid-term review of the USMID program was conducted by an independent Consultant in May 2016 to determine whether the program was on course to achieve the intended objective. This review which was conducted after 32 months of program implementation made the following recommendations. The Ministry has

1. The USMID program is on course and will achieve the program set objectives. Current Implementation arrangements are adequate and do not need significant changes.
2. USMID has had considerable achievements and therefore its implementation should be extended to phase II in order to consolidate achievements in the 14 Municipalities and explore possibilities of expansion to other Municipalities.
3. For second phase of USMID planned to commence after 31st December 2018, the following considerations were recommended:
 - a. Provide for a separate dispensation for urban development and infrastructure improvements in the planned 5 regional cities of Arua, Jinja, Gulu, Mbale, and Mbarara.
 - b. Additional resources shall be required for USMID II to consolidate infrastructure achievements in the 14 Municipalities under USMID 2 and interventions in some more Municipalities outside the 14.

5. Conclusion

1. At a disbursement rate of 81% USMID is the highest performing project in the World Bank portfolio. The program is therefore on course and has been commended for its high performance both by the World Bank and the Ministry of Finance, Planning and Economic Development. This notwithstanding, there are some challenges mostly attributed to one contractor who has not delivered the works in time. This is being addressed by the respective Municipalities of Hoima, Fort Portal, Mbale, Soroti and Tororo supported by this Ministry.
2. Dissemination of program information has not been adequate hence leading to inaccurate information received by stakeholders. The Ministry has hence embarked on a stakeholder sensitization which includes this workshop. Information on USMID is now readily available at the Ministry and the program secretariat and is also uploaded on the Ministry website for review by all stakeholders.
3. The World Bank is satisfied with the implementation of USMID and has given a go ahead for government to prepare another similar program. The Ministry of lands, housing and urban development has therefore commenced preparation of a second phase of the program and seeks support of parliament. Parliament support is crucial since the ultimate request for funding for a second phase of the project will come to parliament for approval.