THE REPUBLIC OF UGANDA
BRIEF TO PARLIAMENT

THE PROPOSAL TO BORROW SPECIAL DRAWING RIGHTS (SDR) 71.6 MILLION (EQUIVALENT TO USD 99.8 MILLION) ADDITIONAL FINANCING FROM THE INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA) OF THE WORLD BANK GROUP TO FINANCE THE COMPETITIVENESS AND ENTERPRISE DEVELOPMENT PROJECT (CEDP-AF)

PURPOSE

1. Hon. Members this brief is to seek Parliament's approval for Additional Financing of SDR 71.6 Million (equivalent of USD 99.8 Million) from the International Development Association (IDA) to finance the Competitiveness and Enterprise Development Project (CEDP-AF) under Article 159 of the Constitution.

2. The Additional Financing will be used to scale up successful outcomes with the aim of deepening of both impact and sustainability of the current project.

BACKGROUND INFORMATION ON THE PARENT PROJECT (CEDP)

3. Hon. Members, you will recall that you approved the original project (CEDP) with a loan of SDR 66.1 million equivalent USD 100 Million on
14th August 2013 (Minute No. 272 (CT 2013)) which became effective on the 6th June, 2014. The Project Development Objective (PDO) is to improve competitiveness of enterprises in Uganda by providing support to the implementation of business environment reforms including land administration reforms and development of priority productive and services sectors. The project has so far disbursed 96% of the total amount and has achieved all the 6 PDO indicators. Specifically, the project has contributed to-

a) Reducing the number of days to register land from 52 days in 2010 to 20 days in 2019.
b) Reducing the number of days to register business from 33 days in 2010 to 1 day (four hours) in 2019 and decreasing the cost to register business as percentage of income per capita from 76.7% in 2010 to 40.5% in 2019.
c) Increasing tourism arrivals from 945,000 in 2010 to 1,505,000 in 2019.
d) Increasing tourism sector employment from 225,300 in 2010 to 667,600 in 2019.
e) Increasing exports of non-traditional crops for the supported MSMEs by 11% from 2014 - 2019 compared to target of 10%.
f) Benefitting 288,000 direct project beneficiaries under the Matching Grant Facility (MGF) out of which 51% are females compared to the target of 18%.
g) Overall, the project has eased access to quality land and business registration services by making it easier, simpler, faster and less costly for all citizens.
4. Whereas the parent project has achieved its PDO indicators and now being ranked as one of the top 3 performing projects out of the 25 IDA portfolio, projects by the Country Project Portfolio Review (CPPR) undertaken by the World Bank in August 2019, there is still need to scale-up the successful activities, support deepening of both impact and sustainability of the current project.

5. Achievements made under CEDP Parent Project by component include;

**Land Administration and Management Reform (US$54M),**

i. Construction of 10 New Ministry of Lands Zonal Offices (MZO(s) in Luwero, Mityana, Mukono, Mpigi, Wakiso, Moroto, Soroti, Tororo, Kabale and Rukungiri

ii. Construction of a multipurpose hall and girls’ Dormitory for the Institute of Surveys and Land Management (ISLM) in Entebbe.

iii. Installation of an Enhanced Version of the Land Information System (LIS) in 21 MZO(s): Arua, Gulu, Lira, Mbale, Jinja, Masindi, Kibaale, Kabarole, Mbarara, Masaka, KCCA and in the new 10 MZO(s). The automation has significantly improved quality of service delivery for instance it now takes a person one day to conduct a search for a title compared to 50 days in 2010 and it takes 3 days to process a mortgage compared to 28 days in 2010.

iv. Systematic Land Adjudication and Certification (SLAAC) has been undertaken. A total of 606 Community Land Association (CLAs) have been formed across 13 districts: Kaabong, Kotido,
Moroto, Napak, Amudat, Kakumiro, Buliisa, Agago, Nwoya, Mubende, Kabale, Kibale and Kayunga. 20,883 parcels have been mapped with total average area of 16,236.3 ha for 20,294 households.

v. Development of the National Physical Development Plan, the first one of its kind for the Country, which will guide all envisaged developments.

vi. The production of base maps for entire country, last developed in 1966. The base maps will support timeliness and quality of land survey and valuation functions.

**Business Registration and Licensing (US$15M).**

i. Construction of the Uganda Business Facilitation Centre (UBFC) a 16 level offices block on plot 1 Baskerville Avenue, Kololo, Kampala that will house three Government institutions (Uganda Investment Authority; Uganda Registration Services Bureau; Capital Markets Authority and with a floor for the Government One Stop Centre.

ii. Streamlining systems, processes and procedures for Business Registration and Licensing Reforms. As a result, the time taken to register business has been reduced. Business name search and reservation can now be conducted online and are instant. The total number of registered businesses increased from 302,000 in 2010 to 593,767 in 2019.
Tourism Competitiveness Development (US$25M);

i. Construction of a 3 Star training Hotel for the Uganda Hotel and Tourism Institute (UHTTI) – Jinja and
ii. Support for Tourism Product Development, Packaging, Marketing and Promotion. The project supported engagement of three destination marketing firms in UK, USA and Europe and also supported the development of MICE policy and strategy. As a result, international tourist arrivals increased from 945,000 in 2010 to 1,505,000 in 2019. The number of tourists to the National Parks increased from 190,112 in 2010 to 332,011 in 2019.

Matching Grant Facility (US$3M);

i. Benefited 312 Micro, Small and Medium Enterprises (MSMEs) in the selected priority sectors of Agribusiness, ICT, Tourism and Fisheries with USD$2.8 million (95%) of the total allocation.
ii. 2,640 new jobs were created by the benefitting MSMEs.
iii. There were 288,000 direct beneficiaries out of which 51% are females.
6. There has been a significant increase in Non-Tax revenue (NTR) collections as a direct result of design and installation of the LIS. The annual non-tax revenue collections under MLHUD increased from US$ 10.2 million in 2012/13 to US$ 37.4 million in 2018/19. Cumulatively MLHUD has collected US$ 192 million in NTR between FY 2012/13 and FY 2018/19. Similarly, URSB NTR collections increased from US$ 7.6 million in FY 2012/13 to US$ 15.2 million in FY 2018/19. Cumulatively, URSB has collected US$ 47 million between FY 2012/13 and FY 2018/19. All together the two components of CEDP have contributed to collection of US$ 239 million which is over and above the US$ 100 million loan secured under the project. It is important to note that the measures leading to this performance need to be consolidated, scaled up and made sustainable.

JUSTIFICATION FOR CEDP ADDITIONAL FINANCING

7. Hon. Members, the Additional Financing will complete planned activities scale up, deepen the sustainability and impact of the current project by building on achievements in the land and tourism components.

8. Effective land administration reforms will improve the attractiveness of Uganda to investors while protecting the land rights of local communities. Furthermore, this will improve access to finance and enhance stability as a result of security of property rights and the ability to draw on local or national authorities to enforce those rights. Enhanced social stability will also attract private investment.
9. Enhanced land registration systems are key to mobilizing private capital for investment in Uganda as land remains the primary form of collateral and an essential input into high performing sectors like tourism. In the tourism sector, mapping of national parks' boundaries and improved land management will provide greater clarity and transparency to attract potential investors.

10. Building on the parent project experience, the land component will support:
   a) The increased capability of the land administration system by completing the infrastructure investments and filling gaps i.e. establishment of a multipurpose cadaster and building the capacities at local level;
   b) The policy and legal framework improvements;
   c) Strengthening of the land dispute resolution mechanisms and
   d) Scaling up the issuance of land titles.

11. Hon. Members, Land Administration Reforms implemented under the project will ensure sustainable land market development and open up significant opportunities for investment and job creation. Project reforms in support of the land registration systems, land dispute resolution, and other national reforms will have impacts nationwide on improving transparency and security of land tenure.

12. Tourism is among Uganda's fastest growing sectors in terms of foreign exchange earnings, job creation as well as the potential to attract investments. The foreign exchange earnings in Tourism have grown
from US$ 800 million in 2011 to US$ 1.6 billion in 2018 while the Sector employed 225,300 in 2010 to 667,600 Ugandans in 2019. Tourism generated UGX 8.36 trillion in 2018 which translates to 7.7 percent of the country’s GDP from UGX 3.234 trillion representing 4.6% contribution to GDP.\textsuperscript{1} in 2010

13. Whereas Uganda’s Tourism has grown over time, a lot of its potential remains unexploited as it’s constrained by low capacity of tourism labor force, low levels of product development, persistent gaps in policy and institutional framework as well as minimal marketing and promotion. Maintaining a strong growth trajectory while delivering a memorable experience for visitors requires the industry to continue diversifying, expanding and marketing its offerings to match changing visitor expectations as well as those of visitors from the new source markets. The tourism workforce of the future will also need to evolve in order to meet these expectations through embracing new technologies that lift productivity, while facilitating and enhancing the visitor experience. Continued investment in infrastructure and attractions in environmentally responsible ways is critical in expanding accessibility, spreading the tourism earnings along the value chain and improving visitor attractions and experiences. The CEDP AF interventions are therefore critical and timely as they will address some of these bottlenecks.

14. Under the parent Project (CEDP) basic investments for workforce development and destination marketing undertaken have so far resulted into increased international tourist arrivals. The revenue collected from tourism boats so far is Ugx 5bn and Ugx 260M from the 5 buses as of

\textsuperscript{1} World Tourism and Travel Council Report 2018
March 2019. The Uganda Convention and Events Bureau has been established to champion the implementation of MICE and has so far generated a pipeline of prospective MICE business to be actualized between 2020 and 2022 equivalent to US$6M. Uganda is now a registered member of the international MICE Association – International Congress and Convention Association (ICCA).

15. Hon. Members, to advance tourism development agenda in Uganda, the Additional Financing will catalyze private investments in selected areas through establishment of improved Tourism Information Management System (TIMS) that will inform planning and investment decisions.

16. The intervention will further advance tourism development in Uganda; by catalyzing private investment in selected areas. CEDP-AF will enhance coordination and focus of public sector on destination planning, investments, and management in the main hubs of Kampala, Jinja, and Entebbe.

CEDP-AF PROJECT DEVELOPMENT OBJECTIVE.

17. Hon. Members, the Project Development Objective (PDO) is to support measures that facilitate increased private sector investment in the tourism sector and strengthening effectiveness of the land administration system.

THE STRATEGIC FIT OF CEDP-AF

18. CEDP-AF is in line with the:
(i) Third National Development Plan (NDP III), priorities under which the Private Sector Development Program seeks to increase competitiveness of the private sector so as to drive inclusive growth;

(ii) The National Strategy for Private Sector Development (NSPSD 2017/18-2021/22) that envisions strengthening Uganda’s Competitiveness for sustainable wealth creation, employment and inclusive growth through improved business environment”.

(iii) The Economic Management Objective of increasing private investment in the Accountability Sector Investment Plan (ASSIP II).

(iv) The Ministry of Finance’s Strategic Plan (MoFPED) vision, of having a competitive economy for National development and

(v) The National Resistance Movement (NRM) Manifesto; “Steady Progress 2016-2021”, where the Government commits to Social transformation through access to land, as a factor of production and as a crucial resource for transformation by supporting initiatives required to;

(a) Create an efficient and effective land administration system.

(b) Implementation of the National Land Policy and reform the relevant laws to be in consonance with it.

(c) Undertake systematic registration of individual and communally-owned land.
(d) Implementation of a programme of actions for strengthening institutions and mechanisms for land dispute resolution, and

(e) Foster mediation at the Local Government level and continue to enforce the laws to protect the rights of lawful and bonafide tenants.

**CEDP-AF COMPONENTS**

19. The CEDP-AF objective will be achieved through three components;

**Component 1: Land Administration Reform (US$53.7M)**

1.1 Improving, Consolidating Land Administration Infrastructure and System.

1.2 Systematic Registration of Communal and Individually Owned Land.

1.3 Strengthening the Capacity of the Ministry of Lands on Land including mass sensitization on valuation and land acquisition,

1.4 Valuation, land Acquisition and Property Taxation.

1.5 Strengthening the Judiciary and Mechanisms to Resolve Land Disputes.

1.6 Strengthening Land Administration and Management Institutions.
Component 2: Tourism Product and Competitiveness Development (US$43.1M),

2.1 Support the upstream work to promote market growth in the tourist sector by modernizing and professionalizing tourism related institutions.

2.2 Strengthening the capacity of the Convention and Events Bureau in the Uganda Tourism Board to partner with the Uganda Association of Conference Incentive Industry to implement mutually beneficial activities that are/or will be jointly developed in their market development strategy.

2.3 Strengthening the capacity of Uganda Wildlife Research and Training Institute (UWRTI) by providing technical advisory, upgrading UWRTI’s existing facility at Kasese by adding a laboratory, library, classrooms, and administration block with small conference facilities; and accommodation for students and researchers.

Component 3: Project Implementation and Management (US$3M)

3.1 Strengthening the capacity of MLHUD for overall coordination and management of land activities through provision of technical advisory services, goods, non-consulting services, training and operating costs.
3.2 Strengthening the capacity of the PSFU for overall coordination and management of tourism activities through provision of technical advisory services, goods, non-consulting services, Training and Operating Costs.

20. In addition to the above mentioned components, it is worthy to note that climate change and gender are cross-cutting priorities for the project. Almost all registered land in Uganda is in the names of the male heads of household. The Additional Financing will subsidize the registration costs for couples willing to proceed with joint titling. Climate adaption and mitigation measures will be prioritized for all envisaged investments.

PROJECT COST AND FINANCING

21. The changes in total cost by component and impact of the proposed additional financing on the project by component are shown in the table below. The GoU will contribute US$2.0 million equivalent towards the Project Implementation component.
<table>
<thead>
<tr>
<th>Project Components</th>
<th>IDA Original Cost (US$ million)</th>
<th>Changes with additional Financing</th>
<th>IDA Revised Cost (US$ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Land Administration Reform</td>
<td>54</td>
<td>53.7</td>
<td>107.7</td>
</tr>
<tr>
<td>2. Business Registration and Business Licensing Reforms</td>
<td>10</td>
<td>-</td>
<td>10.0</td>
</tr>
<tr>
<td>3. Tourism Competitiveness Development</td>
<td>25</td>
<td>43.10</td>
<td>68.1</td>
</tr>
<tr>
<td>4. Matching Grant Facility</td>
<td>8</td>
<td>-</td>
<td>8.0</td>
</tr>
<tr>
<td>5. Project Implementation²</td>
<td>3</td>
<td>3</td>
<td>6.0</td>
</tr>
<tr>
<td>Total Baseline Costs</td>
<td>100</td>
<td>99.8</td>
<td>199.8</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Total Project Costs</th>
<th>Interest During Implementation</th>
<th>Front-End Fees</th>
<th>Total Financing Required</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>100</td>
<td>-</td>
<td>-</td>
<td>100</td>
</tr>
</tbody>
</table>

| TERMS AND CONDITIONS OF THE LOAN |

22. The terms of the loan (IDA) are as follows:

- Loan Amount : US$ 99.8m (SDR 71.6M)
- Loan Period : 38 years
- Grace period : 6 years
- Service Charge: 0.75% p.a on the withdrawn credit balance
- Commitment fee: 0.5% p.a on the unwithdrawn financing balance.

23. Conditions of effectiveness attached to the loan consist of the following:

² Component 5 funds will be used to finance project management of Land Administration Reform Component in the amount of US$ 1 million. The GoU contribution to Component 5 is an additional US$ 2.0 million for local costs. Part of this amount will be used to fund the RAP if needed.
(a) Legal opinion of the Attorney General of Uganda stating that the terms and conditions of the Agreement constitute enforceable binding obligations upon the Republic of Uganda.

(b) The subsidiary agreement, in the form and substance satisfactory to the association, has been executed on behalf of the GoU represented by MoFPED and the Project Implementing Entity.

(c) The Project Operations Manual is updated in the form and substance satisfactory to the Bank.

24. Colleagues, the CEDP-AF will use the existing implementation arrangements. The project will continue to be implemented by Private Sector Foundation Uganda (PSFU), the Ministry of Lands Housing and Urban Development (MLHUD). PSFU will have the overall responsibility of project coordination. A Project Coordination Unit (PCU) is already established in PSFU and will be responsible for the implementation of the project. A steering committee chaired by the PSST-MoFPED will be responsible for the strategic guidance and policy.

25. PSFU has built capacity and experience in implementing World Bank-financed projects, as it was the implementing agency for the World Bank's PSCP I and II projects. It has put in place a strong governance mechanism, including a board projects subcommittee, an Audit Committee, and a Contracts Committee. This has led to better project implementation and PSFU's track record for the last twenty years has been unblemished.
26. Whereas MLHUD and PSFU are the key implementing agencies, the beneficiary institutions include; Ministry of Tourism Wildlife and Antiquities (MoTWA), Uganda Tourism Board (UTB), Uganda Wildlife Authority (UWA), Uganda Hotel and Tourism Training Institute (UHTTI), Uganda Wildlife Conservation Education Center (UWEC), Uganda Wildlife Research and Training Institute (UWRTI) and the Judiciary.

THE LOAN AND THE CURRENT DEBT SITUATION OF THE COUNTRY

27. Provisional total public debt amounted to USD 12.43 billion as at end June 2019, out of which external and domestic debt accounted for USD 8.27 billion (66.6%) and USD 4.16 (33.4%) billion respectively. Nominal Debt as a percentage of GDP was 35.9% using the rebased GDP of Ug.Sh 128.49 Trillion for Fiscal year 2018/19. This number is important because it clearly highlights the proportion of the country's debt to its income.3

28. The Ministry adhered fully to the Public Finance Management Act 2015, the Public Debt Management Framework 2013, the Charter of Fiscal Responsibility and the East African Monetary Union (EAMU) Protocol to ensure short and long time debt sustainability and the current proposal falls within the borrowing plan and will not affect the future savings and investments which might impact the economy.

---

3 Directorate of Debt and Cash Policy, MoFPED
CONCLUSION

29. CEDP-AF is strategically aligned to the NDP II and III priorities especially the Private Sector Development Program, the NRM Government Manifesto, the National Strategy for Private Sector Development (NSPSD), the Accountability sector investment Plan and the strategic Plan of the ministry of Finance, Planning and Economic Development.

30. In light of the foregoing, I shall request Hon. Members to:

   (a) Note the need to acquire additional financing from the International Development Association (IDA) to finance the Competitiveness and Enterprise Development Project;

   (b) Endorse the request by Government to borrow up to SDR 71.6 Million (equivalent of USD 99.8 Million) from the International Development Association (IDA) to finance the Competitiveness and Enterprise Development Project;

   (c) Authorize the Government by passing a Resolution in line with the requirements of Article 159 of the Constitution, to borrow up to SDR 71.6 Million (equivalent of USD 99.8 Million) from the International Development Association (IDA) to finance the Competitiveness and Enterprise Development Project upon the terms and conditions mentioned above.

Ministry of Finance, Planning and Economic Development
P. O. BOX 8147
KAMPALA
April 2020