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FOR CONSIDERATION

MEMORANDUM

TO : THE BOARDS OF DIRECTORS

FROM : Kordje BEDOUMRA
Secretary General

SUBJECT : UGANDA – JOINT IEG/OPEV COUNTRY EVALUATION ASSISTANCE 2001-2007 *

Please find attached the above-mentioned document.

Attach:

cc: The President

* Questions on this document should be referred to:

Mr. C. KIRK
Mr. F. TURAY

Director
Chief Evaluation Officer

OPEV
OPEV

Extension 2041
Extension 3257

Uganda Country Assistance Evaluation, 2001-2007

Joint IEG/OPEV Country Assistance Evaluation

IEG
INDEPENDENT EVALUATION GROUP



<Report No.>

March 16, 2009

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Acronyms and Abbreviations

AAA	Analytic and advisory activities	MOFPED	Ministry of Finance, Planning and Economic Development
AfDB	African Development Bank	MOH	Ministry of Health
ADF	African Development Fund	MOPS	Ministry of Public Service
AEF	Africa Enterprise Fund	MTEF	Medium-Term Expenditure Framework
APL	Adjustable program loan	MW	Megawatt
AS	Advisory Services	NEMA	National Environmental Management Agency
CAE	Country Assistance Evaluation	NSSF	National Social Security Fund
CAS	Country Assistance Strategy	ODA	Official development assistance
CEM	Country Economic Memorandum	OECD	Organization for Economic Cooperation and Development
CSP	Country Strategy Paper	OPEV	Operations Evaluation Department of the AfDB
DFID	Department for International Development (U.K.)	PAD	Project Appraisal Document
DP	Development Partner	PAF	Poverty Action Fund
EC	European Commission	PEAP	Poverty Eradication Action Plan
ESW	Economic and sector work	PCR	Project Completion Report
FDI	Foreign direct investment	PER	Public Expenditure Review
FSAP	Financial Sector Assessment Program	PETS	Public Expenditure Tracking Survey
FY	Fiscal year	PMA	Plan for Modernization of Agriculture
GBS	General budget support	PPAR	Project Performance Assessment Report
GDP	Gross domestic product	PRGF	Poverty Reduction and Growth Facility
GNI	Gross national income	PRSC	Poverty Reduction Support Credit
GOU	Government of Uganda	PRSL	Poverty Reduction Support Loan
HEP	Hydroelectric power plant	PRSP	Poverty Reduction Strategy Paper
HIPC	Heavily Indebted Poor Countries	PSD	Private Sector Development
HSSP	Health Sector Strategic Plan	SIL	Specific investment loan
ICR	Implementation Completion Report	SME	Small and Medium Enterprise
IDA	International Development Association	SSA	Sub-Saharan Africa
IEG	Independent Evaluation Group	SWAp	Sectorwide approach
IFC	International Finance Corporation of the World Bank Group	TFR	Total Fertility Rate
IGG	Inspector General of Government	UA	Unit of Account (for the ADF)
IMF	International Monetary Fund	UEB	Uganda Electricity Board
JBS	Joint Budget Support	UJAS	Uganda Joint Assistance Strategy
LGDP	Local Government Development Project	UPE	Universal primary education
M&E	Monitoring and evaluation	WB	World Bank
MAAIF	Ministry of Agriculture, Animal Industry and Fisheries	WGI	Worldwide Governance Indicators
MDG	Millennium Development Goal	WSS	Water Supply and Sanitation
MDRI	Multidonor Debt Relief Initiative		

All \$ amounts are U.S. dollars.

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Evaluation Managers

- ❖ **Vinod Thomas**
Director-General,
Evaluation
- ❖ **Cheryl W. Gray**
Director, Independent
Evaluation Group-World
Bank
- ❖ **Ali Khadr**
Senior Manager, IEGCR
- ❖ **Colin Kirk**
Director, OPEV - AfDB
- ❖ **James Sackey**
Task Manager, IEGCR
- ❖ **Foday Turay**
Task Manager, OPEV

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Preface

This joint Country Assistance Evaluation (CAE), prepared by the Independent Evaluation Group (IEG) of the World Bank (WB) and the Operations Evaluation Department (OPEV) of the African Development Bank (AfDB), reviews the assistance provided by the WB and the AfDB to Uganda during 2001-07. Since the assistance provided by the two banks was not joint, the report examines whether: (a) the objectives of the assistance of the two banks were the “right” ones given the country context and the mandate of each bank; (b) the designs of the banks’ assistance programs were appropriate, effective, and consistent with their associated objectives; and (c) the program and interventions of each bank achieved their objectives and contributed (or likely to contribute) to the intended outcomes. Examining these questions allows the joint CAE to draw lessons and recommendations for future assistance, either individually or collectively. Annex B describes the methodological framework.

The joint CAE is based on IEG/OPEV background papers covering the main building blocks of the banks’ support to Uganda; relevant parts of recent sectoral, thematic, and “corporate” evaluations; project assessments, including Implementation Completion Reports (ICRs), Project Completion Reports (PCRs), ICR Reviews and Project Performance Assessment Reviews (PPARs); and interviews with senior Government of Uganda (GOU) officials, representatives of the private sector and civil society (including local and international nongovernmental organizations), as well as bilateral and multilateral development partners, WB and International Monetary Fund (IMF) staff in Washington and in Uganda, and the AfDB staff in Tunis and Uganda. A list of persons interviewed during report preparation, including those in Uganda during the IEG/OPEV mission in January/February 2008, is provided in Annex H.

Comments from the WB’s and AfDB’s operational teams were received on November 21, 2008, and November 30, 2008, respectively, along with the WB and AfDB operational teams’ responses to the Management Action Record (MAR). These comments have, to the extent possible, been addressed in the report. A draft of the joint CAE was shared with the GOU, but no official comments were received. A discussion of the report by the CODE Subcommittee for the WB and OPEV is scheduled for April 2009 and a summary of the discussion will be included as Annex G.

The report was prepared by James Sackey (Task Manager for IEG) and Foday Turay (Task Manager for OPEV), with background papers and other substantive inputs from Luis Alvaro Sanchez, Svenja Weber-Venghaus, Tim L. De Vaan, Albert-Eneas Gakusis, Erisa Ochieng, Yona Kanyomozi, and Bernard Bashaasha.

This evaluation benefited from the comments from peer reviewers Ray Rist (Consultant, IEG) and Getinet Giorgis (Consultant, OPEV).

PREFACE

In addition to line managers, the following provided written comments: from the World Bank, Peter Nigel Freeman, Denise Vaillancourt (IEGSE), Andrew Warner (IEGCG), and Alex Mckenzie (IEGKE); and from the African Development Bank, Douglas Barnett (OROR), Damoni Kitabire (OSGE), and Puetz Detlev (OPEV).

Cecilia B. Tan provided administrative support, Tom Yoon and Nik Harvey set up the team Web site, and William Hurlbut provided editorial support. Kechelf Sarhan compiled the AfDB references and data, and Joseph Mouanda assisted in validating the AfDB's assistance performance ratings.

The report includes a contribution (as Chapter 6) by the Independent Evaluation Group-International Finance Corporation (IEG-IFC), prepared by Maria Elena Pinglo (Evaluation Analyst - Task Manager), Asita De Silva (Senior Evaluation Officer), and Jan-Peter Wogart (Consultant) under the direction of Stoyan Tenev (Head, Macro Evaluation) and Amitava Banerjee (Manager).

Evaluation Summary

Uganda Joint Country Assistance Evaluation, 2001-07

The World Bank and the African Development Bank programs in Uganda over 2001-07 were delivered under the FY01-03 WB Country Assistance Strategy, the 2002-04 AfDB Country Strategy Paper, and the Uganda Joint Assistance Strategy. These strategies focused on promoting governance, growth, and human development, and were pursued through a net commitment of \$2.1 billion by the International Development Association (FY01-07) and \$732 million equivalent (2002-07) by the African Development Fund.

The World Bank's assistance strategies showed strong client orientation and were aligned with Uganda's poverty reduction strategy. The programs were substantially effective in decentralization, public sector reform, growth and economic transformation, education, and water and sanitation. More could have been done to help counter the perception of increasing corruption, improve power supply, reduce transport costs, enhance agricultural productivity, and help with family planning and reproductive health.

The AfDB's assistance was also relevant and aligned with the government's development goals. Its support substantially achieved its objectives for decentralization, public sector finance, growth and economic transformation, improved competitiveness, agriculture, and water and sanitation, as well as education and health. There were some shortcomings in the assistance provided for power and roads and in reducing corruption.

IEG recommends that the World Bank support the development of an analytic framework to guide Uganda's decisions on governance reform; encourage and help the government in developing medium-to-long-term master plans for infrastructure; and assist in coordinating ongoing monitoring and evaluation initiatives through a single framework. OPEV recommends that the AfDB relocate sector specialists closer to the client; seek deeper engagement in a limited set of priorities; and undertake regular (perhaps joint) analytic work and project self-evaluation to underpin its strategy and project assistance. It is recommended that both banks reinforce the effectiveness of general budget support as an instrument for minimizing transaction costs and facilitating the use of country systems.

This report evaluates World Bank and African Development Bank assistance to Uganda during 2001-07. The motivation to undertake a joint evaluation was the two bank's shift to a common strategic framework, the Uganda Joint Assistance Strategy (UJAS), to guide the formulation and delivery of their programs. Under a common

strategic framework joint evaluation is, in principal, more cost effective than the equivalent separate evaluations, since at least some aspects of the evaluation can be done together, which also reduces government transaction costs.

EVALUATION SUMMARY

The evaluation discusses the outcome of the support of each bank, then rates each independently, noting that the two banks are of different size, capacity, and institutional setting and have programs that were not implemented jointly but in parallel, although they regularly engaged with one another as development partners. The outcome ratings for the two institutions are therefore not comparable and should not be used to imply that one institution did “better” than the other.

Country Background

With a population of 29.9 million (2006 estimate) and per capita income of \$300 (Atlas method, 2006), Uganda is considered one of the world’s poorest countries; it is ranked 154 out of 177 countries by the UN Human Development Index (2007).

Uganda emerged from civil war in 1986 with an economy shattered by misrule and conflict. The new government’s post-conflict program was directed at economic rehabilitation and stabilization and resulted in a per-capita growth rate of 3.3 percent in the 1990s, a rate that exceeded the average for Sub-Saharan Africa. Sound macroeconomic policies contained debt and stabilized prices, and poverty rates declined (the head-count ratio of poverty falling from 56 percent in 1992 to 34 percent of the population in 2000).

IFC’s Assistance

IFC’s activities in Uganda covered the period between 1999 and 2008. IFC’s set of objectives included support for the development of infrastructure, financial and social sectors, and the growth of small scale enterprises, with special emphasis of empowering women entrepreneurs. During this period, IFC invested US\$178 million in 10 projects in Uganda, encompassing power, telecommunications, financial sectors and small investments in agribusiness and education.

IFC also undertook advisory services operations that focused predominantly in infrastructure (52%) and access to finance (33%). These operations supported privatizations, large infrastructure projects, telecommunications, small and medium enterprise (SME) growth, access to finance for woman entrepreneurs and mortgage finance.

World Bank and AfDB Assistance

Assistance during the period 2001-07 was delivered under the FY01-03 World Bank Country Assistance Strategy (CAS), the 2002-04 AfDB Country Strategy Paper (CSP), and the first two years of the UJAS, 2005-2009. All the strategy documents emphasized the promotion of good governance, support for growth and poverty reduction, and the enhancement of service delivery in education, health, and water and sanitation. While the CAS and CSP were aligned with Uganda’s Poverty Eradication Action Plan (PEAP, the title of its Poverty Reduction Strategy Paper), the UJAS was also the mechanism for enhanced donor alignment on a common set of priorities.

The World Bank and AfDB together disbursed about \$1.9 billion (\$1.6 billion from the International Development Association and \$282 million from the Africa Development Fund), constituting about 29 percent of total overseas development assistance to Uganda during calendar years 2001-06. Commitments of IDA credits and grants totaled \$2.1 billion during FY01-07, about 40 percent of which was budget support provided through Poverty Reduction Support Credits. Apart from a single Poverty Reduction Support Loan of UA40 million, the AfDB focused on investment projects, with total commitment of UA492 million, or \$732 million, during 2002-07.

The World Bank also carried out an extensive program of analytic and advisory activities (AAA) dominated by diagnostic economic and sector work (ESW), most notably annual Public Expenditure Reviews. Although these had significant impact, the relevance of the Bank’s AAA could have been enhanced with studies focusing on anti-corruption, civil service reforms, and population growth, and with more timely coverage of growth issues, as was done in the 2007 Country Economic Memorandum. The AfDB delivered a few pieces of analytic work, but depended largely on the World Bank and other development partners for such analysis.

Assessment of the World Bank’s Contribution

The overall outcome of the Bank’s support is rated moderately satisfactory. This reflects the combined ratings for the relevance of objectives, design factors, choice of instruments, and efficacy. On

relevance, the Bank's strategies and supporting programs showed strong client orientation and emphasized technical quality, especially the analytic work and project preparation that underpinned its interventions. Moreover, by addressing complex policy and institutional development issues in governance, growth, and human development, the level and scope of support was comparable to what the Bank provided to countries with development needs similar to Uganda's. Although it is not possible to evaluate the efficiency of the Bank's support, the resources were used to meet the targets proposed in the CAS and reflected the objectives outlined in the CAS. The AAA was cost-effective and complemented the lending program, and portfolio performance was close to the Bank's average.

The Bank's assistance was substantially effective and achieved its objectives for decentralization, public sector reform, growth and economic transformation, education, and water and sanitation. Public sector reform, including financial management and accountability reforms, supported by general budget support and capacity-building, helped enhance institutions and service delivery in rapidly expanding local government structures. Along with the International Monetary Fund and other development partners, the Bank's policy dialogue helped the government maintain a prudent fiscal stance throughout the period, although analytic work on the slow-down of growth was not timely. Support for education and health helped to increase coverage, improve access, and establish a framework for better service delivery.

Bank support achieved modest outcomes in key areas of the government's poverty reduction agenda. The support was not fully successful in helping to counter the perception of increasing corruption, promoting a competitive business environment through improved supply of power and reduced transport costs, enhancing agricultural productivity, or helping with family planning and reproductive health.

Assessment of the AfDB's Contribution

The overall outcome of AfDB's support is rated moderately satisfactory. This rating should be considered against a backdrop of AfDB's limited resource base, its strategic selection of areas in which to intervene, and the role played by other development partners. The AfDB aligned its

strategies with the PEAP and provided selective assistance by complementing the activities of other development partners, including the World Bank. However, the efficiency of resource use on targets set in the CSP was lower than expected given the long project effectiveness and gestation periods, which tended to impede the timely realization of project benefits.

AfDB's assistance was substantially effective in achieving its objectives for decentralization, public sector reform, growth and economic transformation, improved competitiveness, agriculture, water and sanitation, and health and education. The AfDB complemented the efforts of other development partners, notably the World Bank, in supporting decentralization through capacity building and institutional support. Its assistance was particularly important in improving access to potable water supply through its small-town and rural water projects, as well as to mental health, primary health care, and education services. Its diversified approach to agriculture through support for fisheries and livestock is likely to improve rural incomes. In other areas, AfDB's support was less effective: for example, its anti-corruption efforts need refocusing and quality issues in healthcare and primary education need to be addressed.

Assessment of IFC's Contribution

IFC's main contribution has been in telecommunications, where it helped restructure the sector and expand access to mobile communications. In addition, IFC played a substantial role providing assistance to institutional and regulatory reforms in leasing and supported the supply response to these reforms by helping clients introduce new financial products in the market such as: (i) pioneering of the leasing industry in Uganda, (ii) introduction of mortgage programs, (iii) introduction of trade finance program; and (iv) piloting a program targeting women's access to finance. In these instances, IFC's additionality was in the provision of long term finance and expert advice in business development which were critical in mitigating the risks of entering new untested sectors. Despite significant joint efforts with the Bank, the desired results in the energy sector have yet to be seen. Limited impact was seen in SMEs access to finance and in developing housing finance, despite reforms in these areas. Factors of success included: sustained involvement in priority sectors such as energy, telecom, and financial

EVALUATION SUMMARY

services; a government committed to policy and institutional reform; and a close and well-established relationship with clients.

Alignment and Harmonization

Although aid alignment and harmonization were not explicit aims of any strategy, they were important drivers for the support provided by the two banks. Alignment behind a common set of priorities was facilitated by the first PEAP in 1997, in which the government encouraged the development of sectorwide approach (SWAp) arrangements and the introduction of general budget support, which includes sector budget support, support notionally earmarked to the poverty action fund, and support not earmarked to any sector, such as Poverty Reduction Strategy credits and loans. Further progress on alignment occurred when a group of seven development partners, including the World Bank and the AfDB, completed the UJAS in 2005. That document included a common policy matrix corresponding to the results matrix in the PEAP.

While the PEAP and the UJAS have facilitated the adoption of common development priorities among development partners, the alignment process has led to a large number of sectoral working groups, which—at least in the view of some—is negating the anticipated reduction in transaction costs for the government and its partners. In addition, the UJAS partnership, while it has increased its membership to 11, is still small relative to the 42 development partners providing assistance to Uganda. So, while the UJAS has been a major move in the right direction, it would benefit from clarification of the main principles underlying the partnership along the lines of the 2005 Paris Declaration of Donor Harmonization and Aid Effectiveness.

The aid harmonization mechanism in Uganda is also making progress. With general budget support currently accounting for about half Uganda's official development assistance, the use of country systems for procurement and other processes is expanding.

Progress notwithstanding, development partners' mix of aid delivery mechanisms still varies widely. Some, such as Ireland and the United Kingdom, have moved predominantly toward budget support, while others, such as Germany, provide only a small portion of their assistance as budget

support. The World Bank has markedly shifted emphasis toward budget support, but still provides almost half of its support through projects. The AfDB provided one round of budget support through the Poverty Reduction Support Loan (in 2002). However, because of restrictions on procurement of items from non-AfDB member countries, the AfDB is unable to participate in SWAps and continues to provide almost all its support through projects.

Overall, while efforts at alignment and harmonization have been substantial, both UJAS (on alignment) and the procedures around the general budget support instrument (on harmonization) need further refinement in order to attract increasing participation from all development partners. The World Bank and the AfDB, along with other multilateral institutions, can lead in this area.

Recommendations

Two sets of separate recommendations are provided, one for the World Bank and the other for the AfDB. The third recommendation applies to both banks. They build on the recommendations provided in the 2001 IEG and the 2004 OPEV Country Assistance Evaluations. The review notes that the recommendations in both documents were not fully implemented, especially those with respect to the World Bank taking a stronger stance on governance and the AfDB deepening its ESW.

For the World Bank:

- Support government efforts to develop an analytic framework to guide decisions on governance reforms. Such a framework will help define the causal links between various interventions and expected outcomes related to improved governance.
- With the help of development partners, encourage and support government efforts to develop medium-to-long-term master plans for infrastructure development in order to promote private sector participation, competition, and regulatory reform.
- Encourage the government to coordinate ongoing monitoring and evaluation initiatives by its development partners in order

to secure reliable monitoring and evaluation of its overall poverty reduction strategy.

For the AfDB:

- Strengthen presence by relocating sector specialists to the country in order to raise its profile and improve policy dialogue. This is particularly important in the areas where the AfDB plans to stay engaged. To avoid spreading staff too thinly, one option may be to deploy sector specialists to regional hubs.
- Use limited resources more effectively by seeking deeper engagement in a limited set of areas.
- Undertake regular (perhaps joint) economic and sector work and project self-evaluation to underpin strategy and project assistance.

For both:

- Seek to reinforce the effectiveness of general budget support as an instrument for minimizing transaction costs and facilitating the use of country systems, as channeling funds through the recipient country's institutions helps strengthen the governance structures and capacities and facilitates aid harmonization. This will require a greater focus on reaching agreement with other UJAS members on a joint budget support mechanism and assisting the government in budget prioritization, monitoring, and evaluation.

Summary of World Bank Program Outcome Ratings*

IEG's Country Assistance Evaluations (CAEs) *assess and rate the outcomes* (loosely speaking, the "results") *of a given World Bank country program relative to its objectives*. This differs from rating country outcomes or Bank or client government performance. The central question underlying the table that follows is "to what extent did the World Bank program achieve the outcomes that it set out to achieve?" Distinct ratings and sub-ratings are typically assigned to each "pillar" or set of strategic goals set out in the relevant Bank strategy document(s).

Strategic CAS Goals	Achievement of Associated CAS Results	WB Program Outcome Ratings
Governance		Moderately Satisfactory
Decentralization	Financial management and accountability reforms supported under local government yielded positive results in building institutions and enhancing capacity. Program achieved targets established under LGDP grant.	Satisfactory
Public Sector Reform	Limited capacity in ministries, departments, and agencies did not permit the institutionalization of the results-based approach to public service management. Expected pay reform was also not fully achieved. Support for financial management reforms yielded positive results.	Moderately Satisfactory
Anti-Corruption	Support to improve accountability has not significantly reduced the perception of high corruption. Government effectiveness is perceived not to have improved. Use of PRSC did not facilitate governance reform, as the direct links between Bank support and outcomes were not clear. The analytic basis for governance reform was limited.	Moderately Unsatisfactory
Growth		Moderately Satisfactory
Growth & Macro-Stability	Growth was moderate and only slightly off expected target, but WB analytic support was not particularly timely. Fiscal prudence was maintained, although arrears remained due to implementation weaknesses with MTEF. Domestic revenue mobilization was modest. GOU's aid dependence remains high with likely implications for "Dutch disease."	Satisfactory
PSD and Competitiveness	WB support, with IMF collaboration, helped to deepen the financial sector, promote privatization, and improve the regulatory environment. Nonetheless, the economy's competitiveness was not significantly enhanced because of failure to resolve the power issue, substantially reduce road transport cost, and improve access of SMEs to financial sector services.	Moderately Satisfactory
Agriculture and Environment	Support for agriculture, while focused, was too heavy on institutional capacity-building. Support for NEMA has improved the focus on the preservation of the natural environment. But the analytic work was not matched by comparable operations. Current status of agriculture productivity is unknown.	Moderately Satisfactory
Human Development		Moderately Satisfactory
Health	Despite improved access and citizens' satisfaction with public health service delivery, there remain unsatisfactory outcomes in family planning and reproductive health. PRSCs have declined as effective instruments for dealing with specific health sector issues.	Moderately Unsatisfactory
Education	Support has yielded equitable coverage, especially for girls; provided institutional strengthening by meeting output targets established in the PEAP; and through PRSCs, sustained resource flow to the sector. Support was unable to deal with inef-	Moderately Satisfactory

SUMMARY OF WORLD BANK PROGRAM OUTCOME RATINGS

Strategic CAS Goals	Achievement of Associated CAS Results	WB Program Outcome Ratings
Water & Sanitation (service delivery aspects)	<p>iciency issues and concerns with Uganda's attainment of MDG2.</p> <p>Support through the PRSCs to local governments helped exceed all CAS performance targets (protected springs, boreholes drilled, and new wells constructed). Both rural and urban access to safe water showed major improvement, on track to exceed the corresponding MDG targets. There was limited progress in sanitation provision and hygiene mitigation, with potential negative effects on the achievement of MDGs in the area of infant, child and maternal mortality.</p>	Satisfactory

* As emphasized in several places in the CAE, the WB and AfDB ratings should not be compared.

Summary of African Development Bank Program Outcome Ratings*

OPEV's Country Assistance Evaluations (CAEs) *assess and rate the outcomes* (loosely speaking, the "results") *of a given African Development Bank country program relative to its objectives*. This differs from rating country outcomes or bank or client government performance. The central question underlying the table that follows is "to what extent did the African Development Bank program achieve the outcomes that it set out to achieve?" Distinct ratings and sub-ratings are typically assigned to each "pillar" or set of strategic goals set out in the relevant Bank strategy document(s).

Strategic CSP Goals	Achievement of Associated CSP Results	AfDB Program Outcome Ratings
Governance		Moderately Satisfactory
Decentralization	Assistance provided by AfDB helped strengthen institutions and human capacity in financial management and accountability of local government. This contributed in improved access to basic services.	Satisfactory
Public Sector Management Reforms	Support for procurement reform has not yet yielded the expected results. Support for financial management has helped GOU to achieve expenditure targets with respect to poverty spending.	Moderately Satisfactory
Anti-corruption	Support for accountability and training to facilitate the reduction in corruption has not helped to reduce significantly the perception of high corruption. Government effectiveness is perceived not to have improved through the assistance provided for audit systems.	Moderately Unsatisfactory
Growth		Moderately Satisfactory
Growth, Fiscal Reform and Export Diversification	AfDB's contribution was substantial in achieving poverty-reducing expenditure targets. Fiscal prudence was maintained, although arrears remain. Revenue mobilization remains weak. Substantial progress was made on export diversification.	Satisfactory
PSD/SME Development and Competitiveness	Focus on rural finance helped improve availability of lines of credit to SMEs. Support for communal roads is helping open up the rural areas. Overall, the economy's competitiveness was not significantly enhanced because of the failure to resolve the power issue and to substantially reduce transport costs.	Moderately Satisfactory
Agriculture	Diversified approach to supporting agriculture yielded mixed results: sustained growth of agriculture of 3 percent has not been achieved, but integrated approach is helping reduce soil degradation, commercialize traditional agriculture, and develop fisheries and livestock.	Satisfactory
Human Development		Moderately Satisfactory
Health	Improvements in regional access to mental health and primary health care services were achieved. But severe shortages of staffing and drugs continued to limit effective access to mental health care. The lack of adequate M&E program support was also a shortcoming.	Moderately Satisfactory
Education	Increases to both access and quality of education occurred, but quality improvements were limited by the timeliness and quality of the delivery, as well as by the relatively high demand for education. The education system in Uganda still faces high drop-out rates and low transition rate from primary to post-secondary education.	Moderately Satisfactory

SUMMARY OF AfDB PROGRAM OUTCOME RATINGS

Strategic CSP Goals	Achievement of Associated CSP Results	AfDB Program Outcome Ratings
Water & Sanitation (service delivery aspects)	Support from the Small Towns Water project helped exceed all CSP performance targets (protected springs, boreholes drilled, and new wells constructed). Both rural and urban access to safe water showed major improvement, on track to exceed the corresponding MDG target. Relative neglect of sanitation provision and hygiene mitigation could have potential negative effects on achievement of MDGs in the area of infant, child and maternal mortality.	Satisfactory

* As emphasized in several places in the CAE, the WB and AfDB ratings should not be compared.

Management Action Record

For the World Bank:

IEG Recommendations Requiring a Response	Management Response
<p>Support the GOU in developing an analytic framework to guide decisions on governance reforms. Such a framework will help define the causal links between various interventions and expected outcomes in terms of improved governance.</p>	<p>The government will be supported to strengthen its monitoring and evaluation system to ensure that it (a) identifies both institutional and management constraints that affect achievement of outcomes at all levels and (b) can link the achievement of results to the budgeting process.</p> <p>There is ongoing work in a number of sectors to link the results-oriented management framework to budget monitoring; this will help define the link between reforms in these sectors and improved service delivery, that is, improved governance in terms of accountability.</p> <p>The WB will assess opportunities to integrate cross-cutting governance indicators in developing a new CAS for Uganda as well as applying a governance lens at sector and project level.</p>
<p>With the help of other development partners, encourage and support the GOU to develop medium-to-long-term master plans for infrastructure development in order to promote private sector participation, competition, and regulatory reform, as well as to enhance the process of timely institutional building.</p>	<p>The WB, in collaboration with other DPs, is already working with the GOU on master plans for infrastructure development as outlined below:</p> <ul style="list-style-type: none"> • A sector working group was put in place in 2006, to allow for more formal coordination between the stakeholders involved in the sector, so as to enhance the efficiency and effectiveness of its development. • The WB is supporting the preparation of a Sector Investment Plan under the ongoing Power Sector Development operation. • The GOU, with the support of the World Bank (under the financing of ERT I), has prepared an Indicative Rural Electrification Master Plan which operationalizes the Rural Electrification Strategy and Plan (increased rural access to electricity). • The WB is helping Uganda to put in place a legal and regulatory framework for the implementation of PPPs. In the transport sector a master plan has been put in place that calls for substantial private sector participation. In addition, endeavors are being made to create a Multi-Sector Regulatory Authority (MTRA).

MANAGEMENT ACTION RECORD

IEG Recommendations Requiring a Response	Management Response
	<p>The GOU, with support from the WB, has contributed to the East African Community Railways Master Plan focusing on extending and improving national and regional railway coverage.</p>
<p>Encourage GOU to coordinate major ongoing monitoring and evaluation (M&E) initiatives supported by its development partners in order to secure reliable M&E of its overall poverty reduction strategy, thereby helping to facilitate adequate sequencing of policy reform.</p>	<p>The WB, in collaboration with other DPs, is closely following and supporting GOU in the process of improving and harmonizing the existing M&E initiatives in Uganda as part of the development and finalization of the new PRSP – the National Development Plan. It is expected that the process will contribute to the completion and application of an M&E framework that will be much more closely linked with budgeting, policy reforms, and implementation, unlike many of the previous M&E systems in the PEAPs.</p> <p>Of concrete measures, the WB is actively participating in the recently revived National Monitoring and Evaluation Technical Working Group (NMETWG) under the Office of the Prime Minister. One of the tasks of the NMETWG is to design and manage support in the preparation of the M&E matrix and strategy for the 5-year National Development Plan.</p> <p>In addition, the WB has initiated a one-week training in monitoring and evaluation systems for the NMETWG in December 2008, thus strengthening the capacity of members of this group to carry out its tasks.</p>
<p>Seek to reinforce the effectiveness of GBS as an instrument for minimizing transaction costs and facilitating the use of country systems, as channeling funds through the recipient country's institutions helps strengthen the governance structures and capacities and facilitate aid harmonization. This will require a greater focus on reaching agreement with other UJAS members on a joint budget support mechanism and assisting government in budget prioritization, monitoring, and evaluation.</p>	<p>The WB is working closely with the government and other UJAS members in designing a Joint Budget Support Framework (JBSF) that is aligned to the budget cycle and sector processes. At the core of this is a multi-annual Joint Assessment Framework (JAF) focusing on efficiency in public spending and enhanced service delivery, in support of the government's own value-for-money agenda. The JBSF is being implemented in phases and will need to be closely aligned to the coming National Development Plan and the corresponding monitoring and evaluation structure, avoiding overlapping frameworks. The findings of the CEM, together with recent and ongoing PERs, are feeding into all these processes. The coming PRSC8, starting a new PRSC series, will be designed within the structure of the JBSF.</p>

For the African Development Bank:

OPEV Recommendations Requiring a Response	Management Response
<p>Strengthen AfDB's presence in-country by relocating sector specialists in order to raise its profile and ensure improved policy dialogue. This is particularly important in the areas where the AfDB plans to stay engaged. To avoid spreading AfDB's staff too thinly, one option may be to deploy sector specialists to regional hubs.</p>	<p>We agree. The number of Professional Staff in UGFO has grown from only five in 2005 to eight (including two internationally recruited and three locally recruited) in 2008; of whom three are infrastructure experts. The relocation of internationally recruited sector staff is planned as part of our ongoing decentralization. A social sector expert (based in Nairobi) but covering the region including Uganda has already been relocated.</p>
<p>To use its limited resources more effectively, seek deeper engagement in a limited set of areas.</p>	<p>We concur. During ADF XI, greater selectivity is planned, with 69 percent of the indicative program focusing on Infrastructure (energy, sanitation, transport, and rural infrastructure).</p>
<p>Undertake on a regular basis (perhaps jointly) sufficient economic and sector work (ESW) and project-level self-evaluation, to underpin its strategy and project assistance.</p>	<p>We agree. This is consistent with the High Level Panel Report (2007) that recognized the need for an enhanced role in knowledge and analytical work. The Uganda Oil Seminar (July 2008) emphasizes the Bank's timely response to the government's request for knowledge sharing and dissemination. Planned analytical work on regional integration in 2009-10 is also in line with this recommendation.</p>
<p>Seek to reinforce the effectiveness of GBS as an instrument for minimizing transaction costs and facilitating the use of country systems, as channeling funds through the recipient country's institutions helps strengthen the governance structures and capacities and facilitate aid harmonization. This will require a greater focus on reaching agreement with other UJAS members on a joint budget support mechanism and assisting government in budget prioritization, monitoring, and evaluation.</p>	<p>AfDB remains committed to partnering with other UJAS members to minimize transaction costs. At the request of the government, infrastructure remains the priority focus for the Bank and GBS is thus not envisaged during ADF XI (2008-10).</p>

1. Background

1.1 Uganda's economy since independence in 1962 has been subjected to shocks, some of which derive from conflict and some from misrule. With a population of 29.9 million (2006 estimate) and per capita gross national income of \$300 (Atlas method), Uganda is considered one of the world's poorest countries, ranked 154 out of 177 countries by the United Nations Human Development Index (2007). But the country has substantial natural resources, including fertile soil, high but sometimes irregular rainfall, sizable deposits of copper and cobalt, and largely untapped reserves of crude oil and natural gas. Agriculture is the most important sector of the economy, employing over 80 percent of the workforce, with coffee accounting for the bulk of export revenues.

Country Context

1.2 **Economic Environment.** Although the focus of this evaluation is the period 2001-07, economic and political developments since 1986 influenced developments during the period reviewed. Uganda emerged from civil war in 1986 with an economy shattered by misrule and conflict: gross domestic product (GDP) was more than 20 percent below its 1970 peak, inflation was rampant, the official exchange rate was grossly overvalued, exports (primarily coffee) had shrunk drastically, budgetary discipline had seriously declined, and much of the economic infrastructure had been destroyed.¹

1.3 The new government's post-conflict recovery program was directed at rehabilitation and stabilization of the economy. Macroeconomic performance during the 15-year period 1986-2000 was noteworthy. Per capita GDP growth exceeded the average for Sub-Saharan Africa (SSA), and international reserves were rebuilt.² Sound macroeconomic policies contained debt and stabilized prices – important factors in Uganda's growth and poverty reduction record. Development partners (DPs) consistently funded a significant part of public spending: aid flows during the period averaged 11 percent of GDP and 50 percent of public expenditure. A flexible exchange rate regime allowed Uganda to weather fluctuations in coffee prices and aid inflows while retaining international competitiveness. Most markets were liberalized, and the banking system and some state-owned enterprises were privatized. Poverty rates came down (the headcount ratio for poverty fell from 56 percent in 1992 to 34 percent in 2000), and social spending was increased.

1.4 More recently (2001-06), per capita growth and poverty reduction have lost momentum. Per capita GDP growth during 2001-06 averaged 2.2 percent per annum, compared to average growth rates of 3.3 percent during the 1990s. The headcount ratio for poverty rose to 38 percent of the population in 2003, but fell back to 31 percent in 2005/06 (Annex A and World Bank 2006). Apart from the moderation in economic growth, poverty trends were adversely affected by declining terms of trade and widening income

inequalities. The fall in per capita growth could be explained by declining contribution from the positive post-conflict “catching-up” effect (that is, by using existing capacity), relatively low productivity growth, very high population growth (now over 3 percent, among the highest in the world), and persistent conflict in the northern part of the country that drained budget resources and limited agricultural production.

1.5 **Political Environment.** Since assuming power, President Yoweri Museveni and his government have promoted press freedom and initiated political reforms to complement their economic reform program. But they still have to deal with the Lord’s Resistance Army (LRA), which has controlled parts of the north and east since 1986 and sought to overthrow the government.³ LRA violence at one time displaced up to 1.7 million people, creating a humanitarian catastrophe, particularly when the displaced were forced into camps for protection. The Uganda Peoples Defense Force (UPDF) launched Operation Iron Fist against LRA rebels in northern Uganda in 2002 and conducted operations against LRA sanctuaries in southern Sudan with the permission of the Sudanese government. Recent peace talks have defused those threats, and Uganda appears focused on seeing the talks to conclusion.

1.6 In a measure designed to reduce sectarian violence, in 1986 political parties were restricted in their activities. A constitutional referendum on July 28, 2005, voted to restore unrestricted multiparty politics. The referendum was followed by a presidential election in February 2006, which was won by Museveni’s National Resistance Movement (NRM). Although the political environment is now characterized by greater representation and media freedom, observers continue to have concerns about Uganda’s political process.

Conclusions from Previous Evaluations

1.7 The Independent Evaluation Group (IEG) has completed two evaluations on World Bank (WB) assistance to Uganda: a Country Assistance Evaluation (IEG-CAE) covering the period FY1987-99, and a Country Assistance Strategy Completion Report (CASCR) Review for FY2001-05. The Operations Evaluation Department (OPEV) of the African Development Bank (AfDB) completed three reviews during 2002-06: a Country Assistance Evaluation covering 1986-2001 (OPEV-CAE) in 2004, a review of AfDB Strategy in Uganda in 2004, and a review of AfDB’s role in the Uganda Joint Assistance Strategy (UJAS) process in 2006. The recommendations of the previous evaluations (summarized in Box 1) highlight the main issues for WB and AfDB assistance for the period covered by the present evaluation.

Study Approach and Report Structure

1.8 **Approach.** This evaluation is a joint product of the IEG and OPEV. An IEG-OPEV team visited Uganda in January 2008 and subsequently prepared the report using terms of reference set out in an Approach Paper (AP) endorsed on a no-objection basis by the relevant committees of the two institutions’ Board of Executive Directors. The decision to undertake a joint evaluation was motivated by the two institutions’ shift to using a common strategic framework, the UJAS, to guide the formulation and delivery of their programs. The use of a common strategic framework means, at least in principle, that joint evaluation is more cost-effective (notably in terms of the transaction cost for the host country

government) than the equivalent separate evaluations, since at least some aspects of the evaluation can be done together.

Box 1. Recommendations of Previous Country Assistance Evaluations

World Bank (IEG)

General:

- Help the government strengthen its aid management capacity.

IDA's efficiency:

- Handle procurement and disbursement more flexibly.
- Define IDA's role within a more comprehensive assistance strategy for rural development.

Institutional development:

- Encourage the government's coordination of major reforms.
- Take stock of technical assistance and training programs and their impact on capacity building.
- Take a stronger stance on governance.
- Promote monitoring and evaluation for transparency, accountability, and a culture of results.

Private sector development:

- Seek the help of partners in encouraging the government to move ahead with infrastructure investments, private sector participation and competition, and regulatory reform.

African Development Bank (OPEV)

- Deepen economic and sector work (ESW) and make Country Strategy Papers (CSPs) more strategically oriented through the adoption and use of Results-based Country Assistance Strategies.
- The government needs to address some of the systemic constraints facing the economy, including its narrow export base, low tax revenue, weak institutional capacity, the poverty situation, low productivity in agriculture, private sector development, the HIV/AIDS pandemic, and the conflict in the north.

Source: World Bank (2001) and AfDB (2004)

1.9 This joint CAE is best seen as an exploratory move toward pooling certain aspects of evaluation. However, it was only toward the end of the period reviewed that the use of a joint strategic framework was activated among development partners. Moreover, the evaluation covers the programs of only 2 of the 12 partners of the UJAS.⁴ The second, more significant, point is that despite their use of a joint strategic framework, the partners continue to deliver support to Uganda through separate instruments, rather than through joint instruments using comingled funds. Only when the latter case applies will joint evaluation of partners' support become truly meaningful – in fact, it becomes the only meaningful way to conduct evaluation, since attribution to individual partners' support becomes meaningless.

CHAPTER 1 COUNTRY CONTEXT

1.10 For these reasons, this evaluation is a hybrid between one joint and two separate evaluations – in fact, to some degree, several parts of the CAE are parallel but separate evaluations of the two programs. These parts of the CAE, which provide ratings of the outcome of each institution’s program, by strategic objective, have major limitations. Given the underlying concept of evaluation relative to objectives, the CAE rates the outcome of each institution’s program against the objectives that the institution had set itself. This CAE makes no systematic attempt to judge the degree of ambition underlying the institutions’ program goals. However, this should not be interpreted to mean that IEG and OPEV judge the two institutions to have had equally “stretch” goals relative to their respective, and very different, analytical and financial capacities. As a result, the program outcome ratings for the two institutions cannot be meaningfully compared with one another or used to imply that one institution did “better” than the other.

1.11 In addition to the assessment of the WB and AfDB support, IEG has also evaluated the outcomes of International Finance Corporation (IFC) investments and Advisory Services, which were covered by the same strategic documents as the WB support.

1.12 **Report Outline.** Chapter 2 of the report provides a broad overview of WB and AfDB strategies during the period reviewed. The subsequent three chapters cover the three main pillars of the banks’ assistance programs: good governance (Chapter 3), growth (Chapter 4), and human development (Chapter 5). Chapter 6 assesses the IFC contribution to development of Uganda’s private sector. Chapter 7 reviews the role of the WB and AfDB (parallel and jointly) in aid harmonization and development partnership in Uganda. The final chapter summarizes the outcome of the assessments, identifies lessons that apply collectively and individually to the WB and AfDB, and provides recommendations for the two institutions.

NOTES

1. The NRM took power in 1986. Under the NRM government’s Economic Recovery Program, Uganda began a period of improved macroeconomic stability (see Collier, et al., 2001).
2. During 1990-2006, average per capita growth for Uganda is estimated at 2.9 percent compared to 0.5 percent for SSA. Reserves, measured in months of imports, increased from 0.7 in 1990 to a peak of 7.0 in 2001, and are estimated at 6.2 in 2006 (World Bank Development Indicators, April 2008).
3. Internal conflicts have persisted even under the NRM regime, among them the Intongwa conflict in the Buganda region; the ADF conflict in the Western Region; the PRA uprising in the South-Western Region; and limited conflicts in the Western, West Nile, and Northern Regions, including the ongoing LRA-led conflict. For the Northern Region, a Peace Recovery and Development Plan was prepared in 2007, but effective implementation of this plan will depend on the signing of a durable peace accord.
4. Consultations were held with the other partners in the UJAS. Although their participation in the evaluation could not be worked out for a variety of logistical and scheduling reasons, they responded favorably to contacts by the evaluation team. Looking forward, several other partners have now joined (or expressed a wish to join) in the UJAS. In general, while one would expect that joint evaluation is more cost-effective than the equivalent separate evaluations, it is also probable that, as the number of partners increases, transactions costs would also increase and eventually become prohibitive, outweighing the advantages of joint evaluation. A priori, it is difficult to generalize as to the number of partners needed to reach the point of diseconomies, as the point at which this happens is likely to be context-specific.

2. Strategy and Assistance Program

2.1 This chapter examines the objectives and programs of WB and AfDB in their assistance to Uganda during 2001-07. Because of differences in programming periods, the review period for WB assistance is FY01-07 and that of AfDB assistance is 2002-07.¹ The banks' assistance programs during the period were guided by the respective country assistance strategies up to 2005, and then in 2006-07 by the Uganda Joint Assistance Strategy (UJAS).² The WB's Country Assistance Strategy (CAS) for FY01-03 was *de facto* extended to FY05. Similarly, the AfDB's Country Strategy Paper (CSP) for 2002-04 was *de facto* extended to 2005. The FY01-03 WB CAS and the 2002-04 AfDB CSP are discussed separately, before moving on to the UJAS.

Objectives of the Assistance Program

2.2 **The FY01 WB Country Assistance Strategy.** The overarching objective of the 2001 CAS was supporting Uganda's economic transformation and poverty reduction strategy articulated in the government's 2000 Poverty Eradication Action Plan (PEAP), its poverty reduction strategy paper.³ The pillars in the CAS, which are aligned with the PEAP, support government actions to:

- Increase the ability of the poor to raise their income by focusing on agricultural performance, natural resource management, rural roads, rural energy, and reduced regional disparity in poverty.
- Improve the quality of life for the poor by strengthening health care services, primary education, and water supply and sanitation.
- Create a framework for structural transformation and economic growth.
- Ensure good governance and security by supporting decentralization and public expenditures that are transparent, efficient, and poverty-focused.

2.3 **The 2002 AfDB Country Strategy Paper.** The overall objective of the 2002 AfDB CSP was to promote economic growth and reduce poverty in line with the PEAP goals by focusing, like the WB, on four thematic areas:

- Agriculture and rural development, aimed at increasing the productivity of small farmers by supporting the government's Plan for the Modernization of Agriculture (PMA), which was designed to transform subsistence agriculture into commercial agriculture.
- Physical infrastructure development, aimed at facilitating growth by addressing infrastructure constraints in water supply and sanitation, transport networks, and the power sector.

- Human and institutional capacity, aimed at providing assistance to improve human capital and technological development, with an emphasis on increasing skills at the local government level in the context of decentralized responsibilities for service delivery.
- Private sector development, aimed at supporting the government's implementation of the Medium-Term Competitive Strategy (MTCS), with the objective of enhancing the policy and regulatory environment. In addition, the AfDB Group's Private Sector Department (OPSD) aimed at supplementing the effort by helping improve access of small and medium enterprises (SMEs) to commercial bank credit.

2.4 **The 2005 Uganda Joint Assistance Strategy (UJAS).** Increased donor coordination, most notably in the alignment behind a common set of priorities, culminated in the UJAS, which was brought to the Boards of the two banks in December 2005. The UJAS aligns the partners' support with the government's 2004 PEAP, which argues for a shift from recovery to sustainable growth and structural transformation, and presents government policies to accelerate poverty reduction. It has five pillars: (i) economic management, with a focus on macroeconomic stability consistent with rapid private sector-led growth; (ii) enhancing production, competitiveness, and incomes; (iii) security, conflict resolution, and disaster management; (iv) good governance; and (v) human development.

2.5 Within the context of the UJAS, the WB program⁴ was based on the five pillars with the same results matrix, except for a handful of objectives and targets that are left out because they are not considered to be within WB's mandate (such as human rights).⁵ The AfDB UJAS strategy is restricted to the first two years of the UJAS period (2005-07) and focuses on only two of the five UJAS pillars: enhancing production, competitiveness, and incomes (Pillar 2) and human development (Pillar 5). The selection of pillars was based on AfDB's perception of their importance for pro-poor growth and poverty reduction, and was guided by AfDB's assessment of its comparative advantage in Uganda. Annex C outlines the details of the three strategy documents for the two banks along with the associated targets proposed for monitoring progress in achieving program outcomes.

Translating Objectives into Programs

2.6 **Planned Level and Composition of WB Commitment.** While the efficiency of WB support cannot be assessed with available data,⁶ discussion of the lending program and portfolio management provides insights into the appropriateness of the use of resources. During the period reviewed (FY01-07), the WB committed \$2.1 billion in 23 operations, and \$44.5 million in 3 supplemental operations. The 2001 CAS envisaged 15 operations for \$1.1 billion, and delivered 14 operations worth \$915.7 million. The two-year extension of the CAS resulted in 5 projects with a total commitment of \$502.6 million. Under the UJAS the WB proposed 19 operations totaling \$1 billion. For 2006-07, 11 operations worth \$500 million were planned, with actual commitments of \$660 million for 5 operations. Except for initial delays, the program was on target.

2.7 **WB Commitment by Sector.** The largest proportion of WB resources (about 27.3 percent) was allocated to public sector reform, specifically public administration, law, and justice. This includes resources channeled through the Poverty Reduction Strategy Credits (an estimated 34.4 percent of PRSC resources supported public sector reforms, although

PRSC resources are not earmarked).⁷ The relatively large resource flow to support public sector reforms is consistent with the WB's strong focus on strengthening institutions and capacity building and the relative emphasis on governance. Energy and mining had the second largest allocation (19 percent), which was entirely channeled through investment projects. This supported the commitment of the CAS to help reduce constraints to growth. Finally, consistent with the human development focus of the WB strategy, health and other social services also received a substantial share of commitments (15 percent of total lending and 20.8 percent of the PRSC notional resources). A substantial part of the PRSC's notional resources (17.3 percent) supported education alone (Table 1).

Table 1: World Bank Commitment by Sectors, FY01-07 (in US\$ million)

<i>Sector</i>	<i>All lending FY01-07</i>	<i>All lending % of total</i>	<i>PRSC 1-6 FY01-07^a</i>	<i>PRSC 1-6 % of total</i>
Agriculture, fishing and forestry	146.8	7.0	75.0	8.7
Public administration, law, and justice	573.3	27.3	296.2	34.4
Information and communications	5.4	0.3	0.0	0.0
Education	220.1	10.5	149.0	17.3
Finance	15.3	0.7	0.0	0.0
Health and other social services	315.7	15.0	179.0	20.8
Industry and trade	35.1	1.7	0.0	0.0
Energy and mining	398.8	19.0	0.0	0.0
Transportation	202.2	9.6	12.0	1.4
Water, sanitation, and flood protection	189.9	9.0	149.0	17.3
Total commitments	2,102.8	100.0	860.0	100.0

a. These data are taken from sectoral allocations for each loan as provided by Business Warehouse 2a.1 as of 02/26/08. Although no earmarking of funds takes place in PRSCs, task team leaders make notional allocations for up to five sectors. The allocation for PRSCs should therefore be seen as an approximation of the likely flow to sectors.

2.8 WB's Portfolio Performance. Another insight into the appropriate use of WB resources comes from how the portfolio performed during the implementation process. IEG ratings of Uganda's closed projects were better than the average for the Africa Region, but below the Bank-wide average. During FY01-07, IEG reviewed 27 closed IDA-financed projects in Uganda, representing \$1.66 billion in commitments (Table 2). Outcome was rated satisfactory for 71.4 percent of the closed projects (by commitments), below the Bank-wide average of 81.7 percent and slightly above the 69.0 percent average of the Africa Region in the WB. Overall, the resources provided were directed to the intended uses, given that program implementation was reasonably on target, commitments reflected the objectives of the program, and portfolio performance was close to the World Bank average.

Table 2: World Bank Summary of Evaluation Findings

	<i>Total evaluated (\$M)^a</i>	<i>Total evaluated (No.)^a</i>	<i>Outcome % satisfactory (\$)^b</i>	<i>Outcome % satisfactory (No.)^b</i>
Uganda	1664	27	71.4	76.9
Africa Region	18380	450	69.0	66.1
WB-wide	127818	1881	81.7	77.1

Notes:

a. For projects that exited in FY01-07.

b. Ratings are weighted by commitments

Source: Business Warehouse 4a.5 as of May 2008

2.9 **Nature of WB Nonlending Services.** The nonlending services provided by the two banks include: technical assistance (not financed through loan or credit), economic and sector work (ESW), and policy dialogue (project supervision and diagnostic missions, consultative group meetings, conferences, and workshops). Together, they are referred to as analytic and advisory activities (AAA).

2.10 The bulk of the WB's ESW, consistent with the Bank's emphasis on governance, focused on the strengthening public expenditure and financial management systems, most notably through annual Public Expenditure Reviews (PERs). These reviews, carried out in the context of Uganda's Medium-Term Expenditure Framework (MTEF) exercise, complemented the PRSCs as they enhanced transparency, monitoring, and donor harmonization, and helped increase participation by the Ministry of Finance, Planning, and Economic Development (MOFPED) and other stakeholders in the dialogue on public financial management. Another notable ESW product was the 2004 Country Integrated Fiduciary Assessment that consisted of a consolidating report, a PER, a Country Procurement Assessment Report (CPAR), and a Local Government Integrated Fiduciary Assessment. A 2004 PRSC stocktaking study was undertaken with a view to drawing lessons from the first three PRSCs, and to help formulate the fourth PRSC.

2.11 While adequate, the focus of the WB's AAA program could have benefited from some adjustment to enhance its timeliness. For instance, there were no free-standing ESW studies on corruption—although there was partial treatment of the theme in the PERs and CPAR (and a number of related workshops). This deficiency became apparent when a decision to include prior actions on asset verification in the PRSCs subsequently proved difficult to verify as it was not adequately informed by targeted diagnostic work. Growth issues also needed timely analytic work. Following the 1996 Country Economic Memorandum (CEM), it took until 2007 before the WB delivered another CEM with in-depth coverage of the growth theme. Although probably seminal, the 2007 CEM may not be able to fully make up for the void in the dialogue on growth issues prior to the 2005 PEAP, on which the UJAS rests. Aside from the failure to make up the void, starting a major reform without proper analytical background is often costly to discontinue when found wanting.

2.12 Overall, the WB's AAA, especially the ESW, was of good quality and was undertaken according to plan in the CAS—although there were some slippages toward the

end of the evaluation period (see Annex A, Table 6 for an overview of ESW). This conclusion is also supported by internal review of the quality of AAA by the Quality Assurance Group (see Box 2).

Box 2. The Quality Assurance Group's 2005 Assessment of Uganda AAA

The Quality Assurance Group (QAG) reviewed eight AAA tasks completed during FY2001-04. It rated four highly satisfactory, two satisfactory, and two marginally satisfactory. Overall, QAG found the AAA satisfactory, based on highly satisfactory ratings for strategic relevance (reflecting the close linking of the CAS and AAA program with the PEAP) and coherence and integration (based on the integrating processes involving the government, World Bank Group, and other partners, and the link into the WB's resource transfers through the PRSCs and sectoral operations), and satisfactory ratings for the other dimensions.

The review noted that the substantive government involvement in formulating the conclusions and recommendations of the PERs posed a trade-off between ensuring implementation of recommendations, and having an arms-length WB view in what is also meant to serve as due-diligence/fiduciary ESW. Finally, noting that a CEM was underway, the QAG review identified four areas of priority: resource mobilization and aid dependence, labor markets and employment, agriculture and rural development, and regional comparative experience.

Source: QAG 2005.

2.13 Finally, the cost of AAA relative to the total WB commitment for Uganda compares favorably with that of other countries in the region (Table 3). The ratio is also lower than those for supervision and lending activities. In addition, the average relative costs of the AAA program (and its components) for Uganda during FY01-07 are below those of the whole World Bank and the Africa Region during the period reviewed. The reason for these lower relative cost figures is not clear, but two hypotheses could be advanced. First Uganda could be benefiting from economies of scale of a larger commitment relative to the minimum needed to sustain an ESW operation. Second, based on the QAG review (Box 2), the partnership could be providing the WB with substantial savings in implementing its AAA program.

**Table 3: World Bank –Costs of Operations and AAA, FY01-07
(as percentage of total commitment)**

	<i>Total operations</i>	<i>Supervision</i>	<i>Lending</i>	<i>AAA (total)</i>	<i>AAA (ESW)</i>	<i>AAA (technical assistance, aid coordination)</i>	<i>Other</i>
Uganda	2.22	0.92	0.68	0.47	0.41	0.06	0.15
Kenya	3.44	0.97	1.13	0.98	0.66	0.32	0.37
Ethiopia	1.62	0.62	0.51	0.37	0.34	0.03	0.12
Malawi	5.03	1.92	1.51	1.28	0.77	0.51	0.32
Tanzania	1.97	0.75	0.66	0.40	0.37	0.04	0.16
Burundi	3.42	1.05	1.14	0.99	0.58	0.41	0.24
Africa Region	5.01	1.20	1.38	1.59	0.70	0.89	0.84
Bank-wide	3.58	0.97	0.89	1.09	0.62	0.47	0.64

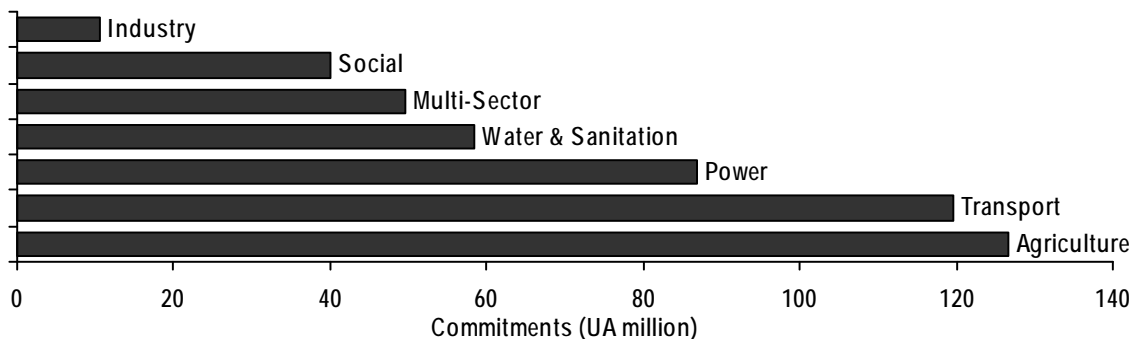
Note: Costs include both Bank budget and trust funds.

Source: Business Warehouse as of 14/04/08

2.14 Planned Level and Composition of AfDB Commitment. The assessment of the use of AfDB resources in Uganda follows the same framework as that of the WB. However, it is limited by the lack of data on the cost of delivering the AfDB’s assistance. Uganda is an African Development Fund (ADF)-eligible country in the AfDB. During the period reviewed (2002-07), the AfDB (including its multinational and private sector windows) committed UA492 million, \$732 million equivalent, in 19 operations (Annex Table 4a Part 1). The CSP covering 2002-04 planned, under the base case, for UA118 million, which enhanced to UA191.8 million – all committed to nine operations, including the budget support. Committed also were three operations (two through the multinational and one through the private sector window), for UA13.8 million. For the period 2005-07 of the UJAS, seven projects, one earmarked budget support for rural water supply and sanitation, and one general budget support operation were envisaged, totaling UA264.9 million (UA91.6 million of which were grants). Actual commitments for that period were UA220.2 million (UA62.3 million of which were grants) for seven projects and the rest for infrastructure following its reallocation from the planned budget support operation. In addition, the AfDB’s private sector facility approved the Bujagali Hydro Power Project (UA72.17 million). AfDB’s total commitment during the period was satisfactory but experienced considerable delays in project effectiveness, an issue that affected the timeliness and development impact of the bank’s contribution.

2.15 During this period, the AfDB provided general budget support only once through the Poverty Reduction Support Loan (PRSL), which was delivered in two tranches. This aside, AfDB assistance was exclusively through investment projects (Figure 1). The agriculture and rural development sector accounted for the bulk of assistance (26.0 percent), followed by transport (24.3 percent), power (17.6 percent), water and sanitation (11.8 percent), multisector (9.9 percent), and social (education and health; 8.1 percent). Infrastructure (transport and power sectors) dominated AfDB’s commitments and, along with heavy support for agriculture, emphasized the focus on growth and income generation. AfDB’s concern in human development was mainly with service delivery, followed by a minimal role for governance issues (through reforms of public finance pursued through, for example the Institutional Support Project for Good Governance).

Figure 1: AfDB Commitment by Sectors, 2002-07 (in UA million)



Source: AfDB project database.

2.16 AfDB’s Portfolio Performance. Only two of the committed projects in the CSP 2002-04 were closed, only one of which has been rated. However, 11 (UA247 million) of the

delivered projects in 2002-07, including those committed during the preceding period, have been rated. More than two-thirds of the rated projects (by commitment and number) had satisfactory outcomes (Table 4). This project performance was relatively better than averages for the Eastern Region, ADF-wide, and AfDB-wide outcomes. While portfolio performance during the period was satisfactory on average, it does not reflect the combined long project effectiveness and gestation period, which reduces the timely outcome of project benefits. In addition, the program did not achieve the planned commitment anticipated in the strategy documents.

Table 4: AfDB—Summary of Evaluation Findings

	<i>Total evaluated (UA M)^a</i>	<i>Total evaluated (No.)^a</i>	<i>Outcome % Satisfactory (UA)^b</i>	<i>Outcome % Satisfactory (No.)^b</i>
Uganda	247.0	11	72	73
Eastern Region	732.6	33	55	61
ADF-wide	2366.3	136	49	50
AfDB-wide	4625.9	171	75	61

Notes:

a. For projects that exited in 2001-06.

b. Ratings are weighted by commitments.

Source: OPEV Database, May 2008.

2.17 Nature of AfDB Nonlending Services. Except for analytic work performed for project preparation and to evaluate the performance of past operations, the AfDB conducted very little ESW in Uganda. Instead, AfDB relied mostly on analytical work provided by other DPs, especially the World Bank and the International Monetary Fund (IMF). AfDB delivered a handful of ESW products, including the 2005 Multi-Sector Country Gender Profile that reviews the status and challenges to mainstream gender issues in AfDB interventions at the country level, and a 2005 report with the International Labor Organization on Support for Growth-Oriented Women Entrepreneurs in Uganda. Looking forward, the AfDB-specific UJAS includes several ESW proposals for FY2005-07: a Country Governance Profile, a study on the prospects for diversification of the agricultural sector, and a study to provide directions for future projects on the basis of the 2005 gender profile.

Overall Assessment

2.18 During the period reviewed the two banks aligned their strategies to the PEAP and provided assistance under common pillars, thus complementing each other. Under UJAS, the selectivity of the banks reflected their ongoing interventions. Because of similarities in the strategies of the two banks during the period, the assessment of their contribution would be best summarized under the combined objectives of governance, growth, and human development. The evaluation distinguishes between the program outcomes in the pre-UJAS period (up to FY06) and assessment of the startup and implementation issues of the UJAS period (FY06-07).

CHAPTER 2 STRATEGY AND ASSISTANCE PROGRAM

2.19 Finally, in assessing the use of resources by the banks, it may be concluded that with respect to WB's program of intervention, while it has not been possible to conduct a rate of return analysis on the complex set of interventions, given that the program implementation was reasonably on target, commitments reflected the objectives of the program, the AAA was relatively cost effective and largely complemented the lending program, and portfolio performance was close to the World Bank average, it may be concluded that the resources were adequately directed to their intended use. With respect to the AfDB, concern with program effectiveness could be raised given the long project effectiveness and gestation periods, which could reduce the timely outcome of project benefits.

NOTES

1. The fiscal year (FY) of the WB begins on July 1 and ends on June 30 and that of the AfDB begins on January 1 and ends on December 31 (that is on calendar year basis).
2. The UJAS was prepared in 2005 by the World Bank, AfDB, and five other development partners, Germany, the Netherlands, Norway, Sweden, and the United Kingdom (DFID). Austria, Denmark, the European Commission (EC), and Ireland have also signed on to the strategy.
3. Implementation of the WB-CAS was extended by two years due to delay in the preparation of the government's updated Poverty Eradication Action Plan (PEAP) and the longer drafting period required for the UJAS itself given the need for close coordination among the development partners on the new strategy.
4. The IFC's strategy under UJAS, evaluated in Chapter 6, also seeks to: (i) improve the investment climate; (ii) build the capacity of SMEs and micro enterprises and that of institutions that support them; and (iii) provide proactive support for project development in the financial, agribusiness, and infrastructure sectors.
5. It is not clear what criteria were used by WB in selecting its areas of focus. On the other hand, a division of labor exercise is underway to specify the areas of focus of the DPs in Uganda in order to ensure complementarities among programs (see Chapter 6).
6. Cost data are easily available, output data are not.
7. The policy dialogue and associated measures supported (prior actions) under the PRSC centered, for the most part, on public sector reform, especially public expenditures. Regarding the use of resources, the focus of the PRSCs was to increase allocation to the poverty action fund (PAF). It should be noted that the allocation of PRSC resources is notional and that some of the sectors received significantly more limited funding from the budget than indicated in Table 1.

3. Promoting Good Governance

Key Governance Challenges

3.1 Governance and security concerns have dominated much of Uganda's development efforts, hence it is a key theme in the PEAP. Three aspects of governance (political, economic, and corporate) may be highlighted. From the political governance perspective, Uganda has experienced conflicts within its borders and with all its neighbors at different times and for different reasons and has encountered major challenges in the management of such conflicts. In addition, upholding the separation of power of the state while also promoting and protecting the rights of individuals (including women, children, vulnerable groups, and disabled persons) remains a challenge and acute and inadequate staffing and funding of key institutions has compromised the quality of services. Political governance therefore is very high on the development agenda.¹

3.2 Similarly, the accountability, effectiveness, and efficiency of the public sector in Uganda were undermined by three decades of weak internal governance. Attracting and retaining staff is difficult and challenges abound in fighting corruption, including inadequate funding for anti-corruption institutions. Economic governance, requiring sound public financial management, transparent and predictable economic policies, and an effective regulatory framework for the promotion of economic activities, has thus been high on the government's agenda since the mid 1980s. The government's approach has also internalized concerns about corporate governance, which has become increasingly important given the ongoing effort to promote domestic and foreign private sector development.

3.3 Nonetheless, IEG's previous review of WB assistance to Uganda during FY86-98 concluded that the WB's approach to governance has been narrow, primarily via its support to improve the transparency and accountability of budget processes and the capacity of the civil service, legal systems, and the planning and financial systems (WB-CAE 2001). Independently, a targeted approach to governance was undertaken by the World Bank Institute (WBI), which focused on the government's anti-corruption campaign through a number of workshops on national integrity. Despite this, the WB-CAE (2001) concluded that the WB had not yet identified effective instruments for intervention on governance prior to 2001. Similarly, for the AfDB, there were no explicit references to governance in previous strategy documents for Uganda, except for the 2002 CSP.² The CSP only identified governance as a key reform issue when it aligned its objectives with the government's 2002 PEAP. These concerns underpinned the nature of the WB and AfDB interventions on governance during the period reviewed.

WB and AfDB Governance Strategies

3.4 The **2001 WB CAS** highlighted two main governance concerns in Uganda. First, it noted that the corruption is systemic and negatively affects private sector development by raising the cost of doing business and consequently constraining growth. Second, it noted that security remained a serious developmental constraint, as demonstrated by the results of the participatory poverty assessment. Consequently, the fourth pillar of the FY01 WB CAS—ensuring good governance and security—focused on improving public service delivery and decentralization, reducing corruption, ensuring law and order and security, and supporting disaster management.

3.5 The focus on governance in the **2002 AfDB CSP** was through the capacity-building and private sector development pillar. Under this pillar, AfDB proposed to provide legal support for functional markets; and improve the governance framework and the policy environment for enhancing the capacity to make decisions, allocate resources efficiently, and deliver public services effectively, particularly in the districts. The strategy developed by the AfDB is similar to that of WB, though on a smaller scale, in that it focused on economic governance and sought to achieve fairness and equity in the access to public services through noncorrupt and transparent procurement and financial management reforms.

3.6 **Relevance:** The governance strategies of both banks during the period remained narrow, within the mandates of the banks, and have not changed significantly from past policy stance. Both banks continue to support transparency and accountability through reforms of public financial management systems (though at relatively different scopes), except this time the support has been extended to local government entities through decentralization programs. But while these strategies are relevant and aligned with the PEAP, they failed to define the causal links between the interventions and their expected outcomes. For example, the expected outcomes from WB and AfDB support on transparency and accountability reforms (especially as they pertain to public financial management) were indirect and distant in dealing with the problem of corruption.

3.7 In addition, the strategies could be deemed narrow in scope (especially with respect to the AfDB's interventions) because they only consider selected components (transparency of public financial management, corruption, and decentralization) of the broad range of economic governance issues, with a limited emphasis on issues related to political governance, which could have economic implications. Gender equity issues, for example, have substantial political governance characteristics that could restrict access to service delivery, undermining equity. The WB assisted in this area through its support for the National Gender Policy (2006), but it is too early to assess the likely impact on governance policy. Finally, because of their concern with restrictions posed by their mandates, the approaches to governance supported by the two banks remain largely technical. The reason for this is found in the absence of a conceptual underpinning for Uganda, which explains the role of WB and AfDB assistance relative to that of other development partners. Because governance issues are cross-cutting, developing a conceptual framework that explains the role of other development partners is necessary for an understanding of the likely impact of policy reforms and their development effectiveness.

Achievement of Objectives and Assessment of Outcomes

3.8 **WB Interventions.** The WB used two main instruments to support the Government of Uganda (GOU) in meeting its governance objectives. They were specialized sectoral investments, supplemented by the PRSCs and AAA (Annex D). The PRSCs provided the framework for addressing cross-cutting public sector management reforms targeted at increasing accountability, reducing corruption, and thereby improving public service delivery. The effort focused on the reform of public procurement, public sector pay, personnel management and accountability, and improved monitoring and evaluation (M&E). The PRSCs complemented support for financial accountability provided in the previous period under the WB-supported Second Economic and Financial Management Project and the Local Government Development Project (LGDP). Table 5 outlines the achievement of objectives relative to expected outcomes.

Table 5: World Bank: Support for the Governance Agenda

<i>CAS pillar</i>	<i>Expected outcome</i>	<i>Actual outcome</i>	<i>Contribution</i>
Effective decentralization	Increased number of districts eligible for District Development Grant under LGDP (see Annex C)	Financial management and accountability reforms under local government yielded positive results in building institutions and supporting capacity to permit the achievement of LGDP grant targets.	WB lending operations (LG SIL, LGDP II and PRSC 1-6) supported the process (see Annex D).
Transparent, efficient, and poverty-focused public expenditure	Improved procurement system	There is scope for improvements in procurement reform.	IEG's CASCR Review (2008) and performance ratings of the Economic and Financial Management Project and PRSC 1-6 suggest moderately satisfactory WB contribution.
	Implementation of results-based management	Capacity limitations in ministries, department, and agencies constrained the institutionalization of the results-based approach to public service management.	
Established sustainable pay reform program (see Annex C)	Pay reform not fully achieved.		
Anti-corruption	Reduction in perceptions of corruption	Improved accountability has not significantly reduced the perception of corruption. Government effectiveness is perceived not to have improved.	Strategic approach by WB was not informed by sufficient analysis and unambiguous measurement of corruption. The direct links between WB support and outcomes were not clear.

Sources: Annexes C and D.

3.9 The LGDP (FY99-04) contributed to improving the performance of local governments with respect to meeting their statutory service obligations through more effective, efficient, and participatory planning, budgeting, and resource allocation. Government reviews indicate that improved local government procurement capacity and ability to manage investments has led to greater impact and allocative efficiency. The proportion of local governments with functional Planning Committees and three-year development plans increased from 30 percent at the start of the project to 89 percent by 2004. The project established rotational Project Technical Committee meetings where district teams evaluated each other's activities. This approach proved effective and has been adopted in a similar project in Tanzania. The project's outstanding M&E component

enhanced its development impact. The results of this project were considered sufficiently positive by the WB that a follow-up second Local Government Development Project (FY03) was approved by the IDA Board to sustain improvements in local government institutional performance and decentralized service delivery.

3.10 In the area of public financial management (PFM), WB support facilitated GOU's effort to improve legislation (for example, the enactment of the budget code) and create a more coherent and strategic fiscal framework; an enhanced Integrated Financial Management System (IFMS); improved cash, commitment control, and accountability mechanisms; an to upgrade the budget, accounting, and auditing skills of government staff. In terms of procurement reforms at the central government level, all the ingredients for an efficient, transparent, and accountable system are now in place, though there are implementation bottlenecks. A shortcoming of the PFM system is the persistence of budgetary arrears, elimination of which is one of the objectives of improving budget management. The use of a Poverty Action Fund (PAF) in principle helped to protect poverty-reducing expenditures, but the PAF is essentially a transitory instrument and protection of poverty-reducing expenditures needs to be a permanent aspect of the budget system. Overall, the existence of budgetary arrears implies that the oversight function of the budget needs more attention.

3.11 The Medium-Term Expenditure Framework (MTEF) has played a major role in budget allocation and is taken seriously by the government. The GOU has maintained a tight macroeconomic policy stance, driven in part by the central bank and guided by the MTEF. Adherence to the MTEF improved the efficiency of budgetary allocation, but the system is under pressure from many sources—excess aid supply from development partners during implementation has implied occasional bypassing of the strict MTEF budget envelopes. These vertical funds introduce severe distortions in expenditure management that the MTEF is not structured to deal with. In addition, the emphasis on tracking budgetary flows (through the Public Expenditure Tracking Studies-PETS), which is good for transparency, is not the same as the tracking of development effectiveness, which is necessary for deciding on budget allocation. In any case, the PETS should be part of an audit function and not an independent exercise.

3.12 Achievements under public sector reform occurred in two phases: the first in the decade before 2000, and the second during 2001-07. During the first phase, WB assistance helped redefine the role of government and its scope, functions, and employment numbers were substantially reduced. In addition, the LGDPs (FY00/FY03) initiated the devolution of functions and improvements to the incentive framework at the local government level. WB assistance also supported the introduction of the results-oriented management approach in which the ministries, departments, and agencies, including the local councils, were required to plan, implement, monitor, and evaluate performance quarterly and annually. But the implementation of the first phase was undermined by weak government commitment, low capacity, and an inadequate incentive system on the part of the ministries, departments, and agencies, especially with respect to low pay and shortfalls in disbursements against budgets, to the extent that it stalled the second phase of the program.

3.13 The WB also used AAA to advance its support, especially in decentralization, promoting accountability, and helping reduce corruption. The ESW products focused on the performance of public sector service delivery systems to inform WB support for

decentralization. This was supplemented by training programs on decentralization conducted by WBI in partnership with the Rockefeller Foundation and Makerere University to build capacity for public officers at the district level. Accountability and corruption issues were pursued through expansion of the PETS and a conference on corruption in 2001.

3.14 AfDB Intervention: The support by the AfDB, especially through the Institutional Support Project for Good Governance (ISPGG) and the Poverty Reduction Strategy Loan (PRSL), yielded substantial outputs with respect to mechanisms for reducing corruption and improving public financial management (Table 6). Programs for reducing corruption included completion of draft statutes for the enactment of a Leadership Code and establishment of Government Inspectorate; the development of a anti-corruption and whistleblower protection legislation; the promotion and dissemination of integrity surveys; and improved access to government information through assistance for the adoption of principles governing access by ordinary citizens. The whistleblower protection legislation has yet to be enacted.

Table 6: AfDB Support for the Governance Agenda

<i>CSP pillar</i>	<i>Expected outcome</i>	<i>Actual outcome</i>	<i>Contribution</i>
Decentralization: Strengthen local government institutions and human capacity	Improved access to and quality of basic services	Financial management and accountability reforms under local governments yielded positive results in building institutions and helping improve access to basic services.	The PRSL and the ISPGG supported this objective. OPEV review rated as satisfactory the PRSL's outcome and ISPGG's progress.
Public sector management reforms: Improve public procurement and financial management system	Improved procurement system Improved financial management to achieve poverty spending targets	Reform programs on procurement yielded modest results. Improved financial management has helped GOU to achieve expenditure targets with respect to poverty spending.	The PRSL and the ISPGG supported this process.
Combating corruption: Strengthen capacity of anti-corruption institutions	Reduced perception of corruption through improved accountability and better audit systems	Support for accountability and training as instruments to facilitate reduction in corruption has not helped to significantly reduce the perception of corruption. Government effectiveness is perceived not to have improved through the assistance provided for improving audit systems.	The PRSL and the ISPGG constituted the key support.

Sources: Annexes C and D.

3.15 The PRSL also complemented the effort of other DPs, especially the WB and the U.K.'s Department for International Development (DFID) in the area of public financial management with outputs including: support for the adoption of a Public Finance Bill to improve the legislative and regulatory environment; the implementation of an Integrated Financial Management System (IFMS), which has resulted in the production of more timely and reliable central government public accounts on budget implementation; capacity building through the

provision of accounting staff to the 10 weakest districts; the conduct of tracking surveys in the service sectors by MOFPED and the sectoral ministries; improved audits in the priority ministries, including education, health, and water and sanitation; and the development of a legislation to transform the Office of the Auditor General. Other public sector management reform results associated with AfDB support include the implementation of salary adjustments during FY01-02, the decentralization of teachers' payroll, and the reform of public procurement, especially with respect to the Central Tender Board and the decentralization of the procurement system.³

3.16 **Assessment of Outcomes.** The WB and AfDB support for governance improvement was aligned with the objectives of the PEAP. The interventions, executed in parallel, focused on financial management and accountability reforms, decentralization and local government development, and public sector reform. However, the strategic relevance of the support was weakened by the absence of a clear conceptual and analytic underpinning. The assessment of IEG and OPEV is that over the period reviewed, the contributions by the two banks for the first two reforms (financial management and accountability reforms and decentralization and local government development programs), have yielded *satisfactory* outcomes. Despite the differences in the scope of interventions, the contributions of the banks have been substantial in the building of institutions and in providing the intellectual back-stopping through capacity building and reform implementation.

3.17 The outcome of the banks' support to other areas of public sector reform, especially improved efficiency and reduced perception of corruption, is rated *moderately satisfactory*. During the period reviewed, the combination of low capacity and weak incentive system in the ministries, departments, and agencies (especially in the failure to sufficiently reform the pay and incentive system) have severely constrained progress in institutionalizing a results-based approach to public service management. Furthermore, the absence of demonstrable results in budget execution (especially in dealing with the divergence between budget agreement and actual allocation) undermined commitment and support for the public sector reforms by both political and technical leaders across government. This could explain the GOU's request for additional DP support to revamp its Public Sector Reform program. WB assistance is currently being provided under the Public Service Performance Enhancement Project, approved by the Board in FY06. The UJAS also notes the nature of unfinished reform in this area and highlights the need for comprehensive public service reforms.

3.18 These conclusions are reflected in public opinion surveys, which note that overall, government performance with respect to governance reform has not been as impressive as in other areas of reform. For example, according to the WBI worldwide governance indicators (WGI), government effectiveness has failed to improve since the beginning of the decade (Annex A, Table 1).⁴ While changes in the WGI are subject to caveats common to perception indices, they suggest that between 1998 and 2006, out of the six of the indicators, Uganda improved its standing in voice and accountability, political stability, rule of law, and control of corruption, with no improvement in government effectiveness and regulatory quality.⁵ The indicators suggest that governance concerns, especially with respect to public sector management, remain paramount.

Conclusion

3.19 The contributions of the WB and AfDB, although different in scope and magnitude, were substantial in helping to build institutions and capacity in government in the three strategic areas of focus on governance and are thus rated *moderately satisfactory* overall for both banks (see Annex D for details on the ratings). The impact of the assistance was lower than expected for two reasons. First, there was no clear analytic or conceptual governance framework to guide the strategic effort and the choice of interventions undertaken by the two banks. There were multiple policy frameworks and matrices that failed to define the causal links between proposed policy reforms and anticipated outcomes.

3.20 Second, the absence of a clear governance framework hampered efforts to measure and monitor progress. For example, there was no adequate diagnosis of corruption in Uganda to permit clear benchmarking. Under such circumstances, the perception that corruption is increasing, while possibly correct, was not grounded. In addition, despite substantial effort by the WB and AfDB to support M&E processes for governance purposes, the system continues to be characterized by isolated approaches to the measurement of aspects of governance (such as national integrity surveys, inter-agency forum and review mechanisms, and newspaper opinion surveys). Thus, although the Office of the Prime Minister is charged with coordinating M&E (with finance and technical support from DFID), further support to help GOU to formulate a measurable framework for dealing with governance issues would be desirable.

NOTES

1. GOU identified the following elements of political governance: prevention and reduction of intra- and inter-state conflicts, constitutional democracy, promotion and protection of rights; upholding of the separation of power, the promotion and protection of the rights of women as well as children and young persons; and the promotion and protection of the rights of vulnerable groups, internally displaced persons, refugees, and disabled persons (see NEPAD 2007).
2. Refer to AfDB (2004).
3. The result of the procurement reform included the establishment of the Contract Committee at sectoral level; harmonization of local government procurement regulations with those of the central government; creation of procurement units in all ministries, departments, and agencies; and incorporation of procurement plans in the expenditure programs of the sector ministries.
4. The WGI project reports aggregate and individual governance indicators for 212 countries and territories over the period 1996-2006 for six dimensions of governance: voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law, and control of corruption. Refer to: www.worldbank.org/wbi/governance.
5. Transparency International's Corruption Perception Index (CPI) also indicates that Uganda's ranking improved in a limited way from 1.9 out of 10 in 2001 to 2.8 out of 10 in 2007, though this is still very low. The CPI ranks countries in terms of the degree to which corruption is perceived to exist among public officials and politicians. Refer to: www.transparency.org/policy_research/surveys_indices/cpi

4. The Growth Agenda

Key Challenges

4.1 At the beginning of 2000, the government was faced with the need to sustain improvements in poverty reduction experienced over the previous 15 years. The proportion of the population below the poverty line had declined from 56 percent in 1992 to 33.8 in 2000, only to rise to 37.7 percent in 2003 before declining again to 31 percent in 2005. Sustaining improvements in poverty reduction depended on resolving three challenges identified in the 2001 WB CAS: maintaining the high pace of economic growth experienced in the 1990s, spreading the benefits of the growth nationwide, and dealing with high population growth.

4.2 Growth in the 1990s relied on the use of existing capacity.¹ The CAS deemed the pattern of growth unstable due mostly to changing weather patterns and price shifts in agricultural production, which grew, on average, at a pace lower than the rest of the economy and just about the rate of population growth. It was clear that Uganda's reliance on unused capacity was not sustainable – the low investment-to-GDP ratio (around 12 percent of GDP in 2000) was an important concern. Increasing investment to sustain a high rate of economic growth was therefore a priority. To achieve this objective, the PEAP noted that Uganda needed to: (a) maintain a macroeconomic framework supportive of economic growth; (b) remove barriers to the creation and operation of private business; and (c) release constraints, such as the low availability of electricity, high cost of finance, and poor transport connection with regional and global markets.

4.3 The creation of conditions for sharing the benefits of growth nationwide required focusing attention on agriculture, which is the source of income for the majority of the population. Achieving this objective was demanding because past growth in agriculture was driven by expansion in land use, and because of the extensive employment of traditional technology associated with very low productivity. Production was also largely undertaken to meet subsistence needs as farmers' access to markets was limited by poor transport and marketing services. The role of weather in production (yields) and marketing (transport) remains unclear as a recent study by the Ministry of Agriculture, Animal Industry and Fisheries (Uganda Bureau of Statistics, 2006) did not find a significant relationship between rainfall and agriculture GDP. In addition, the rural economy other than agriculture was quite undeveloped except for cash crops (coffee, tea, and cotton). Finally, the high rate of population growth posed a challenge. The high dependency ratios burdened household incomes and public service delivery. A rapidly growing labor force, yet to reach its peak, called for rapidly expanding income-generating opportunities. The 2000 PEAP clearly identified these challenges and the 2005 PEAP reiterated them.

WB and AfDB Strategies

4.4 The 2001 WB CAS and the 2002 AfDB CSP aligned their growth strategies with the growth and structural reform pillars of the 2000 PEAP. The growth pillar focused on “creating a framework for economic growth and structural transformation.” Under this pillar, both banks subscribed to policies to promote growth and achieve macroeconomic stabilization, facilitate competitiveness, and support agriculture and environmental sustainability. The second pillar supported the government’s effort to increase the ability of the poor to raise their income. Under this pillar, both banks focused on support for the government’s Plan for the Modernization of Agriculture (PMA), environment, improved rural roads, and the provision of energy for the rural sector. In addition, the WB sought to provide assistance to help reduce regional disparity of poverty.

4.5 The UJAS built upon the 2005 PEAP with the introduction of a results framework, thus enabling the two banks (and the UJAS partners) to monitor the performance of their assistance programs. The UJAS did not entail a significant change in the thrust of the assistance either of bank as the pillars on the growth agenda are similar to those of the 2002 CSP and the 2001 CAS.

4.6 **Relevance of the Strategies.** In aligning their assistance to corresponding government strategies, the two banks responded to the need to meet ownership concerns. The emphasis on agriculture and rural incomes was appropriate, as was the emphasis on improving basic services such as energy and transport. Both banks relied for the design of their strategies on previous or concurrent evaluations. For example, the WB’s strategy reflected the recommendations of the 2001 CAE, which pointed to the challenges to sustaining economic growth—infrastructure, macroeconomic environment, finance, etc. The 2001 CAS also emphasized improving governance, which was seen in the 2001 CAE not only as a necessity for growth but also for the sustainability of Uganda’s recovery efforts.

4.7 The strategies also were informed by the available analytical work. However, some important pieces of analysis of the challenges and constraints to growth were not provided in time, particularly in agriculture. Hence, development partners in strategic initiatives, such as the PMA, lacked a clear sense of priority and guidance in selecting the most critical interventions for poverty reduction. Analytical work on agriculture by the AfDB in 2004 (under the Farm Income Enhancement Project) and 2005 (Agriculture and Rural Sector Review), on the other hand, helped to refocus its agenda. However, despite the negative stocktaking of the CAS Completion Report in 2005, particularly on growth, the strategy of WB support (2005 UJAS) remained roughly unaltered on growth with the emphasis on developing a joint framework for donor alignment (along the lines of the Paris Declaration). The CAS Completion Report does not raise the lack of analytical work, but the UJAS did call for ESW, and the analytical deficit has since been addressed.

Achievement of Objectives and Assessment of Outcomes

4.8 The evaluation is based on the pillars defined in the strategies of the WB and the AfDB. These are summarized under three themes: growth and structural transformation, enhancing competitiveness, and modernizing traditional agriculture and preserving the environment (Annex C). In the absence of result matrices for the 2001 CAS and the 2002

CSP, except for few defined targets in the strategy documents of the two banks, the benchmarks contained in the UJAS are used to guide the evaluation process.

4.9 Growth and Macroeconomic Stability. The WB and AfDB had similar growth and stabilization agendas, which were developed in consultation with the IMF. As indicated in Table 8 (for WB) and Table 9 (for AfDB), the expected outcomes are similar and reflect the PEAP goals. Most of the targets established under the PEAP, and therefore for the CAS and CSP, were met. On the basis of the old National Accounts series, economic growth from 2000 to 2007 is estimated at 5.8 percent per annum, marginally slower than in the 1990s and below the CAS/CSP target of 7 percent per annum. Adverse terms of trade (mostly on coffee) in the early 2000s contributed to slower growth than expected. On the basis of the revised series of National Accounts, however, growth during FY01-07 (Uganda's fiscal year, not calendar year) averaged 7.5 percent (in excess of the target established in the PEAP). Since the PEAP targets were based on the old National Accounts series, the discussion in this CAE is based on the old series (Annex Table 2). Macroeconomic stability was largely attained through effort to maintain low inflation (at 5 percent per annum), a stable and nonappreciating exchange rate, improved fiscal management with emphasis on revenue mobilization, and expenditure management.

Table 7: Poverty and Income Inequality Trends, 1999/2000—2005/2006

	1999/2000	2002/2003	2005/2006
Poverty^a			
National	34	38	31
Rural	37	42	34
Urban	10	12	14
Central	20	22	16
Eastern	35	46	35
Northern	64	63	61
Western	26	31	21
Inequality^b			
National	0.395	0.428	0.408
Rural	0.332	0.363	0.363
Urban	0.426	0.477	0.432

a. Proportion of the population living below the national poverty line (excluding Kitgum, Gulu, Bundibugyo, Kasese, and Pader).

b. Income inequality as measured by the Gini coefficient.

Sources: PEAP (2004) and World Bank (2007c).

4.10 The proportion of the population living below the national poverty line rose from 34 percent in 1999/2000 to 38.8 percent in 2002/03 and declined to 31 percent in 2005/06 (Table 7). The deterioration in poverty during the period 1999/2000-2002/03 was due to a rise in income poverty in rural areas, where the proportion of people living below the poverty line rose from 37 percent in 1999/2000 to 42 percent in 2002/03. Poverty was often transitory for those with incomes outside of crop agriculture, but it tended to be chronic for those who relied primarily on crop agriculture for their livelihood. Income inequality (as defined by the Gini coefficient) followed the poverty trends during the period by worsening during 1999/2000-2002/03 and improving by 2005/06. The conflict-affected north remained the

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poorest region (with 60 percent of the population living in poverty in 2005/06). Overall, the medium-term trends show signs of improvement in poverty.

4.11 The WB supported growth and stability through PRSCs and analytical work, as well as coordinating with other DPs, notably the IMF and the AfDB. Government officials noted that while the WB was very active in providing macroeconomic advice during the 1990s, it was less so in the 2000s when the analytic support diminished. The two banks benefited from the IMF's leadership in macroeconomic stabilization and foreign exchange issues that sought to minimize the onset of "Dutch disease." The WB complemented the IMF with the necessary institutional assurances of the PRSC series. The 2005 PRSC and the UJAS brought the link between macroeconomic policies and growth to the forefront and the WB vigorously played a leading role.

Table 8: World Bank Support for Growth and Macro Stability

<i>CAS pillar</i>	<i>Expected outcome</i>	<i>Actual outcome</i>	<i>Contribution</i>
Economic growth	High real GDP growth (7 percent) Reduce regional disparities in poverty	Perception of slowing growth and stalled poverty reduction was not dealt with before the completion of the 2004 PEAP mainly due to delayed analytic support. Effort made to deal with regional disparity in poverty was substantial.	The PRSC 1-6, the Oil Shock Supplemental (FY01), supplemented by the Poverty Assessment report and the FY06 CEM supported the dialogue along with other DPs. The Northern Uganda Review (FY07) provided a framework for support in reducing regional disparity in poverty.
Macroeconomic stability	Inflation of 5 percent Nonappreciating exchange rate 5 months import coverage on balance of payments Increased Revenue/GDP ratio Reduced fuel levies Increased PAF share of total expenditures	Fiscal prudence was maintained; although arrears remain due to implementation weaknesses with MTEF. Revenue mobilization remains weak and GOU's aid dependence remains high.	Same as above. AfDB, DIFID, and the IMF complemented WB's effort.

Sources: Annexes C and D.

4.12 The AfDB supported the government's macroeconomic policy implementation mainly with the Institutional Support Project for Good Governance (Table 9), which emphasized institutional and capacity building for public financial management. Jointly with the IMF and WB, AfDB supported Uganda's participation in the Heavily Indebted Poor Countries (HIPC) process, beginning in 1998 and culminating in 2006 with the Multidonor Debt Relief Initiative (MDRI). Resources from MDRI (including future interest) delivered in 2005/06 and 2006/07 amounted to \$3.6 billion. As a result, Uganda's external debt dropped to 13 percent of GDP at the end of 2006/07, compared to 47 percent a year earlier. The HIPC dialogue contributed important byproducts such as pro-poor budgeting and the capacity to track these expenditures. The resulting PAF has grown to 65 percent of the budget and execution of the expenditures included in the PAF has been on track. On the other hand, AfDB support has not been able to help improve internal revenue mobilization (taxation), which has increased marginally from 10.3 percent of GDP in 2001 to 12.6 percent

of GDP in 2007, while flows of donor assistance have remained relatively stable at around 9 percent of GDP. AfDB also provided assistance for export diversification through its support for agricultural modernization, the outcome of which was substantial.

Table 9: AfDB Support for Growth and Macro Stability

<i>CSP pillar</i>	<i>Expected outcome</i>	<i>Actual outcome</i>	<i>Contribution</i>
Promote fiscal sustainability	Real GDP growth of 7 percent	Despite its narrow and focused support, AfDB's contribution was substantial in achieving the poverty-reducing expenditure targets. Fiscal prudence was maintained, though arrears remain. Revenue mobilization remains weak.	Program of support was driven by the Institutional Support Project for Good Governance (2004) and complemented by a part of the PRSL that supported financial management reforms.
Improve tax administration	Inflation contained to 5 percent		
Public expenditure reform	Stable and nonappreciating exchange rate Increase tax revenue/GDP ratio PAF share of total expenditure increases to at least 25 percent from current base		
Diversify exports	Foreign reserves at 5 months of imports	Progress on export diversification occurred, which cushioned the wide fluctuations in export prices and unfavorable terms of trade. International reserves increased to 6.5 months of imports cover by FY07.	The Area-based Agricultural Modernization Program (2000) and other support for diversification accounted for progress.

Sources: Annexes C and D

4.13 In general, the use of budget support (WB PRSCs and the AfDB's PRSL) failed as an instrument to coordinate assistance on growth. Perception of slowing growth and stalled poverty reduction informed the preparation of the 2005 PEAP and its call for the GOU to refocus its efforts on faster growth. The WB analytical work on growth was delivered too late to be of use; the Country Economic Memorandum (CEM) was only initiated in 2005 and not published until 2007.² This explains the failure of the 2005 PEAP and the UJAS to make a major drive in support of growth. Despite the relatively weak focus on growth, substantial progress was made on macroeconomic stabilization and fiscal prudence, and IEG rates the outcome of WB support in this area as *satisfactory*. Even with its narrowed and focused interventions, AfDB's contribution substantially helped the government to meet its poverty-reducing expenditure targets. Overall, the contribution of the AfDB is also rated *satisfactory*.

4.14 **Enhancing Competitiveness.** The WB and AfDB support to promote the economy's competitiveness was built on three infrastructure components required to support private sector development: (i) financial sector development and privatization, (ii) reform of the energy sector, and (iii) support for transport, especially road construction. The two banks collaborated in these areas and were complemented by the IFC (on finance, privatization, and the power sector) and the IMF (on finance). An evaluation of the program for IFC during 1999-2008 is in Chapter 6. The outcome of WB support is summarized in Table 10 and that of AfDB's in Table 11. A review of country outcomes provides the backdrop for assessing the contributions of the two banks.

Table 10: World Bank Support for Enhancing the Economy's Competitiveness

<i>CAS pillar</i>	<i>Expected outcome</i>	<i>Actual outcome</i>	<i>Contribution</i>
Private sector development	No defined benchmarks and targets	Administrative constraints to private sector development have improved, but not significantly. Key market ratings showed marginal improvement. WB support for industrial zone and land cadastre experienced delays.	Private sector competitiveness project, supplemented by a number of ESW products on private sector development, including investment climate assessment.
Financial sector development	Sustained supervision of commercial banks Increased financial sector competition Efficient handling of cases	Although intermediation and interest rates remain high, credit grew fast, leading to substantial financial intermediation. WB support in areas such as pension reform is behind schedule.	Country Financial Accountability Assessment, Country Procurement Assessment Report, and financial sector assessment underpinned the Regional Trade Facilitation and Financial Market assistance project.
Energy development	Increased rural access to electricity Separate UEB activities Increased private investment in power generation	Timing of successful unbundling of Uganda Electricity Board (UEB), coupled with supply crisis as a result of delayed completion of the Bujagali HEP and water shortage in Lake Victoria constituted a strategic failure in risk assessment. Increases in rural access and private investment in power limited.	Wide-ranging power sector projects, including Privatization and Utility Sector Reform Project (FY01), provided WB leadership in the sector, complimented by IFC, and by AfDB.
Transport & logistics	Improved rural roads through repair and maintenance District roads fully repaired by 2016	Substantial improvements in road network. But high institutional orientation of infrastructure support is yet to yield results. High cost of transportation continues to be major constraint to business profitability.	Road sector adjustable program loans (APLs) were central to reform support by WB in the sector. Other DPs included AfDB and EC.

Sources: Annexes C and D.

4.15 A Financial Sector Assessment Program (FSAP) by WB with the IMF in 2003, and its follow-up in 2005, supplemented by the 2007 CEM, noted progress in creating a sturdy **financial sector** and identified a reform agenda, but the follow-up had mixed implementation outcomes. For instance, pension reform stalled. The intent to assist in the privatization of the Uganda Commercial Bank through a free-standing operation did not happen, as the Parliament did not approve it, though the privatization process went ahead.³ On micro-finance, the WB, working with GTZ, SIDA, and DFID, assisted in the design of a regulatory structure consistent with the macroeconomic framework. In terms of outcomes, although intermediation and interest rates remained high, credit grew fast, leading to a substantial financial deepening. Sustained efforts at reform during the 1990s had produced a fairly robust financial sector by the early 2000s, basically by clearing the bad debts. The bulk of the banking sector became private with the privatization of the largest bank – the Uganda Commercial Bank. Access to finance is not a major problem for large firms, but it is for small and medium enterprises. The nonbanking financial sector remains in its infancy and the availability of long-term financing is limited, although efforts are now underway to develop housing finance (mortgages) and leasing. Since much of the gains made in the financial sector cannot be directly attributed to any operation supported by the AfDB, its

contribution is not rated. On the other hand, WB assistance in the form of investment operations and AAA, supplemented by the IMF, could be rated satisfactory (Table 10).

4.16 The WB and AfDB, through independent vehicles, also facilitated improvement in the enabling environment for private sector development by supporting the government's privatization program, helping deal with administrative constraints to business, and enhancing assistance to SMEs. The policy of **privatization and private sector development** implemented by the government in the 1990s was continued in the 2000s, with the liberalization of telecommunications and the participation of foreign private firms in railways, telecommunications, and energy. The program of privatization, along with the broader reform of improving the business environment, yielded modest results. The ratio of private investment to GDP increased from 13.7 percent in 2002 to 19.1 percent in 2007; while public investment showed a slight decline of around 1 percent of GDP between the beginning and the end of the period. On the other hand, the ratio of the foreign direct investment (FDI) to GDP has remained stable at 3 percent of GDP, and only picked up somewhat recently.

Table 11: AfDB Support for Enhancing the Economy's Competitiveness

<i>CSP pillar</i>	<i>Expected outcomes</i>	<i>Actual outcomes</i>	<i>Contribution</i>
Strengthen institutional capacity of regulatory agencies	UEB separated into entities responsible for generation, transmission, and distribution	Economy's competitiveness was not significantly enhanced because of failure to resolve the power issue, although support was provided for alternative sources of energy.	Support was provided through the Alternative Energy Resources Access and Utilization Study (2000), which followed the Urban Power Rehabilitation Project.
Increase investment in power generation capacity	Generation capacity expands		
Commercial generation and distribution of energy in rural areas	Increased access of rural populations to power		
Rehabilitation and upgrading of national roads	Inventory of main roads network classified as satisfactory increases	Road sector support has not resulted in substantial cost reduction, but support for communal roads is helping open up the rural area. Neither AfDB nor the WB has supported direct investment in new district roads.	Support came from the Road Maintenance and Upgrading Project (2000) followed by the Transport Development (2003) and the Road sector Support Projects (2005/06).
Rehabilitation and maintenance of district roads	Increased accessibility in rural areas		
Provide enabling environment for private sector development	Competition in financial sector increases Legal framework improves	Focus on rural finance has helped improve availability of lines of credit for on-lending to SMEs.	The Rural Micro-finance Support Project (1999) and the Sustainable Management of Mineral Resources were critical support programs.
Improve access of SMEs to commercial banks	Availability of lines of credit for on-lending to SMEs		

Source: Annexes C and D.

4.17 Overall, Uganda has not made any major gains in improving the business environment since 2000. The WBI's control of corruption indicator has Uganda still ranked at 147 out of 201 in 2006. The Institutional Investor country credit rating shows a marginal improvement; but the Index of Economic Freedom moves in the opposite direction. No major changes have taken place in the Political Risk Rating, and the Doing Business Ranking places Uganda at 118 out of 178, two places down from 2006. Uganda's ranking in the various components of Doing Business varies widely. The worst rankings are on registering property

(163) and getting credit (158)—suggesting that access to finance may be the most critical problem that businesses face. Uganda also ranks poorly in trading across borders (141)—although there was a major improvement from 2006 when the ranking was (162), which tended to be the case for landlocked countries. Protecting investors (122) and starting a business (114) ranks around the average. The country ranks well in labor market flexibility.

4.18 Based on country performance, assistance for the regulatory environment has not led to substantial reductions in the cost of doing business in Uganda. WB assistance, which provided grants for enterprise modernization, a popular program for Ugandan businessmen, aimed at substantive improvement in the business environment, which has not happened. Attempts to create a Venture Capital Fund came to naught. A follow-up private sector development (PSD) operation continued support for improving the business environment and enterprise upgrading in addition to the development of a land registry and the creation of an industrial park. In interviews, private sector representatives expressed regret that no major progress has been made on the latter. The support for improving the quality of the business environment produced mediocre results. On this basis, the outcome of WB support is rated *moderately unsatisfactory*.

4.19 The AfDB's involvement in PSD was highly limited relative to expectation. The AfDB CSP included a separate pillar on PSD, but the program of assistance was limited to SME development and discrete private sector investment (Table 11). The AfDB was the official chair of the PSD working group, but it was one of the least active. Despite the absence of structured AfDB support for the private sector, the bank's assistance for improving access to credit for SMEs yielded substantial results. On this basis, the assistance provided by the AfDB for promoting privatization and private sector development is rated *moderately satisfactory*.

4.20 The WB led in assisting with the institutional transformation of the **power sector**, but in this area the two institutions worked closely, and apart from differences in the magnitude of financial and staff support, separate attribution would be difficult. The WB had provided technical assistance for the design of the institutional overhaul of the electricity system at the end of the 1990s that led to the Electricity Act. The 2001 CAE noted widespread frustration with the delays in refurbishing and increasing power capacity under the Uganda Electricity Board (UEB). After 2000, the WB focused its assistance on the implementation of the Electricity Act with the Privatization and Utility Sector Reform Project (FY01), complemented by the Power Sector Investment Loan (FY02). The WB and AfDB continued supporting the upgrading of electricity infrastructure. The WB, with other donors, supported the completion of the expansion of the Owen Falls hydroelectric power plant (HEP) through the Power Sector III and Power Sector IV projects, the latter of which is still under implementation.

4.21 The AfDB supported the UEB, through the Urban Power Rehabilitation Project (1996) to improve the transmission network and to reduce losses, while unbundling its operation into separate entities. Beyond this action, both the WB and AfDB supported the government in efforts to get the Bujagali HEP project underway following the failure of initial efforts to get private sector participation. The power crisis of 2005 led the WB and AfDB to revamp their support for Bujagali HEP. With the crisis came an added awareness and prompt support of the government's efforts to add to capacity on an emergency basis and to carry out a long-term strategy of capacity expansion.⁴

Box 3. Power Sector Reforms

Uganda undertook transformation of its power sector institutions as part of its effort to increase supply while eliminating the need for public funds by involving the private sector. The transformation sought to address the economic and financial difficulties besetting the public monopoly (UEB) by putting into practice ideas from the 1980s and 1990s to improve the performance of the power sector. Unbundling the monopoly, promoting private sector participation, and establishing the regulatory framework were important to the new paradigm. In this context, since 2000, Uganda: (a) unbundled the UEB into generation, transmission, and distribution companies; (b) created a power regulator; (c) created a Rural Electrification Agency (REA) on realizing that the new operators were not going to extend power to rural areas without heavy subsidies; (d) placed the distribution and generating companies in private hands; and (e) is actively trying to engage the private sector in the generation of additional capacity although some of the foreign firms currently involved are not private but quasi-governmental organizations.

Severe risks that materialized during the period handicapped the capacity to deliver on the intended objectives of the original strategy: the Bujagali HEP, downstream from Owen Falls HEP, did not come on line by 2005 as originally planned – consequently, the 200 MW did not come into operation. The first attempt failed due to: (a) the withdrawal of the operator that was selected from the agreement; (b) civil society's concerns about potential ecological consequences; and (c) delays on funding, tariff, and power purchase agreements.

The water level in Lake Victoria began dropping in 2001, and a drought in 2004 further reduced the capacity to generate electricity from Owen Falls and its extension. The expansion of Owen Falls during the late 1990s and early 2000 was undertaken as a stopgap until Bujagali HEP could be brought on line. The expected generating capacity of the old dam and the extensions were estimated at up to 300 MW. The works were completed, but the effective capacity has been halved because of the low water level.

Source: IEG interviews.

4.22 Despite their efforts, the resulting institutional arrangements in the power sector promoted by the WB and AfDB differed substantially from the original intentions. The objective of minimizing government participation in the sector was not met. First, the government continues to provide transfers to the distribution company as part of the agreement to raise tariffs to levels that make the operation profitable. Second, the budget continues to support transfers for the construction of the thermal plants. Third, to engage the private sector in generation, the transmission company (still owned by the government) has had to engage in power purchase agreements to ensure that all energy produced by the generators is purchased at the agreed price. A guarantee was extended to the distributor to ensure that tariffs meet costs and generate a profit, and subsidies are extended to potential investors to reduce capital costs.

4.23 The assessment of the risks to the strategy in place was weak. The risks of increasing energy shortfalls at the beginning of 2000 were high, and the postponement of Bujagali HEP added to the risks. Even at normal water levels this risk could have materialized due to the growing demand for energy in the country. In addition, no account was taken of the risks implicit in the institutional design, most importantly the readiness of reputable private operators to engage, without excessive caveats, given the institutional situation in the country. Still, the contract with the distributor sets targets for increased connection and these targets have been met. Efforts to increase access in the rural areas have also had limited achievements.⁵

4.24 Because the two banks worked closely in the energy sector (especially on power), the weaknesses in performance were equally reflected. For the WB, the timing of the successful unbundling of UEB, coupled with the supply crisis as a result of the delayed completion of the Bujagali HEP and water shortage in Lake Victoria, constituted a strategic failure in risk assessment. Limited progress was also made on increasing rural access to power and promoting private sector participation in the sector. On this basis, the outcome of the WB support on energy is rated *moderately unsatisfactory*. The limitations identified for the WB in the power sector also applied to the AfDB, but because AfDB support extended beyond institutional reform and the focus on HEP into other renewable energy sources, where substantial results were derived, the overall outcome of its support for the energy development is rated *moderately satisfactory*.

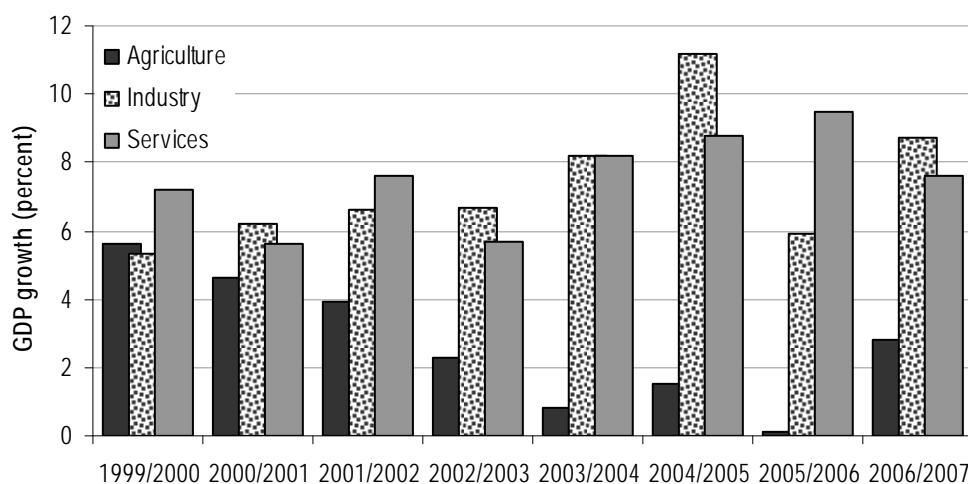
4.25 As in the power sector, the WB and AfDB have been major partners in consistently supporting the GOU's rehabilitation of the national **roads network**. WB support consisted of the Roads Development APL (FY99), with a follow-up in FY05. AfDB's support was broad-based and covered Road Maintenance and Upgrading Project (2000), Transport Sector Development Program (2003), and Road Sector Support Project (2005). The main focus of these operations was the rehabilitation of selected roads within the national road network. The consultation with government and members of the sector working group has led to a clear strategy on the process for selecting roads to rehabilitate, with emphasis on major routes like the northern corridors linking Kampala to Mombasa and the establishment of strategic linkages with Democratic Republic of Congo, Rwanda, Sudan, and Tanzania. Limited support was provided to other components of the road network. Neither the AfDB nor the WB supported direct investment in district roads with new operations during the review period. However, the WB is exploring areas of potential intervention in district roads covering over 1,000 kilometers. Similarly, the AfDB, based on the preparatory work by the WB, is likely to return to financing district roads.

4.26 Notwithstanding the absence of quantifiable outcome targets, the support by both the WB and AfDB has helped to rehabilitate and build the road infrastructure as well as establish the relevant institutional and regulatory framework as defined in the 2001 CAS and the 2002 CSP. Despite these improvements, Ugandan entrepreneurs rank transportation the greatest impediment to doing business. The cost of transporting goods from Kampala to Mombasa (the main seaport) – by road or rail – remains high. A limitation of WB and AfDB assistance has been over-emphasis at the project level on meeting notional quantitative output targets rather than focusing on likely economic impact of network development. As a result, travel times and costs were not reduced as much as they could have been. The strategy for transport should have given equal emphasis to increasing effective access to regional and global markets for Uganda. In addition, better monitoring and evaluation would have been desirable. Detailed statistics to track progress on costs and travel times are lacking. Thus, while adequate progress was made on partnership forum and in establishing the institutional arrangements to make it possible to focus on economic impact as a key driver for investment and regulatory simplification, overall the support to transportation and logistics is rated *moderately satisfactory* for both institutions based on the modest economic outcomes.

4.27 Improving Income of the Poor. The support of both the WB and AfDB for the development of agriculture was channeled through the PMA. Implementation of the PMA was partial, focusing mostly on its first two pillars, which covered developing and transferring technology to the poor. The National Agriculture Research Organization (NARO), was transformed into an apex institution to oversee a network of research centers and provide financing through grants. The approach was intended to respond to demand and bring competition into research. In addition, through the National Agricultural Advisory Services (NAADS), the government put in place a nationwide system to transfer technology to farmers at all levels. The WB support focused largely on institutional development, which helped generate a wide range of new technologies in crops, livestock, and fisheries. The AfDB adopted a more integrated framework with a wide range of operations covering smallholder agriculture (1999), agriculture modernization (2000), fisheries and livestock development (2002), and community infrastructure (2007). Building on 2005 analytical work, the AfDB shifted to an integrated approach to rural development emphasizing marketing and infrastructure, including irrigation and communal roads. This is a welcome development that seeks to redress the unbalanced implementation of the PMA, but it is too early to assess results.

4.28 Agricultural growth continues to lag the growth of the economy, as it did in the 1990s (Figure 2). The sector is subject to price and weather shocks, and fluctuations in agriculture induce similar fluctuations in the overall economy. Much of the agriculture continues to be for subsistence, with limited market surpluses. There is a small pure cash economy around coffee, cotton, and tea, which accounts for around 9 percent of the value added in agriculture.⁶ Given the rapid growth of incomes in the urban economy, the growing markets of neighboring countries (Uganda is a net exporter of border trade to neighbor countries), and the improving terms of trade for important cash crops such as coffee, a secular stagnation of agriculture is unlikely. Therefore, it is reasonable to assume that traditional agriculture has grown with internal demand, which should be between 2.5 and 3 percent per annum, close to the level projected in the PEAP. Many reports point to the failure of excess production to reach markets in Uganda or neighboring countries.

Figure 2: Comparative Sectoral Growth of Real GDP



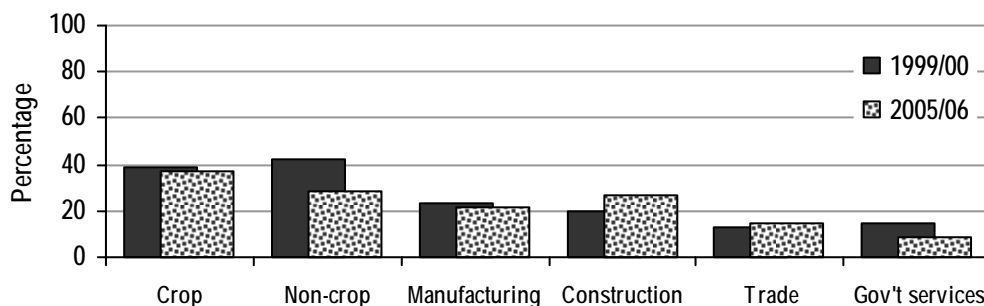
Source: Uganda Bureau of Statistics.

Indications are that the farm-to-market linkage needs substantial improvement to realize the effectiveness of the strategy of raising the income of the poor.

4.29 A weakness of the support by both WB and AfDB is the failure to complement the assistance with timely ESW. Until a 2007 review of the sector, the last major formal review by the WB took place in 1993. The lack of good analytical work may have accounted for the limitations in the prioritization of the PMA and its noted unbalanced implementation. As reflected in the modest performance of the agriculture sector since 2000, the impact of the PMA has been uncertain. Progress was made in the areas that received assistance from DPs; namely, capacity building for the National Agriculture Research Organization and the expansion of the National Agricultural Advisory Services nationwide, but their impact on the transformation of traditional agriculture, including productivity increases, remain undefined. Similarly, the support for improving communal roads and rural infrastructure, especially by the AfDB, made substantial progress. In general, the WB and AfDB have yet to develop a more integrated approach to supporting agriculture and rural development.

4.30 The overall poverty impact of the assistance provided by the two institutions under this agenda is also not clear. While the national level of poverty has fallen since 1999/2000, the decline in the percentage of households below the poverty line has varied across different occupation types (Figure 3). Other than manufacturing (and construction and trade, in which the percentage of households below the poverty line actually increased), the decline in the percentage of households below the poverty line was lowest (2.2) among those engaged in crop farming. The decline in the percentage of households below the poverty line was highest for those engaged in noncrop agriculture (livestock, fishery, forestry, etc.). Since the majority of Ugandan smallholders are engaged in crop farming, the limited decline in the percentage of households below the poverty line in the crop subsector may reflect the perceived slow rate of growth of the agriculture sector.

Figure 3: Percentage of Households below the Poverty Line



Note: By occupational groups: Crop=Crop farmers; Non-crop=Non-crop farmers; Manuf =Manufacturing; GServ=Government Services

Source: MFPED (2006).

4.31 The outcome of the WB support for improving the income of the poor through agriculture productivity remains unclear. Support by the WB for agriculture, while well focused, was too heavy on institution building and yields limited evidence on the

realization of its poverty-reducing objectives. The analytic underpinning also was not timely. On this basis, the contribution of the WB to improving the income of the poor through agriculture is rated *moderately unsatisfactory*. The AfDB had a largely rural focus to its support for improving the income of the poor through increased agriculture productivity, but the diversification program yielded mixed results. The expectation of a sustained growth of 3 percent per annum for agriculture was not achieved, but the integrated approach supported by AfDB is helping to reduce soil degradation, commercialize small-scale agriculture, and develop fish and livestock. The contribution of AfDB is thus rated *moderately satisfactory*.

4.32 Support for the preservation of the natural environment: The WB's main assistance was in the form of institution building for the National Environmental Management Agency (NEMA), which oversees a well-articulated network of environment institutions in the country. NEMA plays an important role in assessing the environmental impact of investment projects. It has carried out this responsibility judiciously despite occasional concern with objectivity. Support was also provided by the WB for establishing environmental benchmarks for Lake Victoria. However, the authorities expressed concern that excessive emphasis was placed on undertaking studies to construct benchmarks, rather than focusing on improvement in the livelihood of the communities that live around the lake. The outcome of WB support is rated *moderately satisfactory*.

4.33 In the absence of specific AfDB operations to support environment, its contribution to the integration of environmental concerns in development programs and to strengthen NEMA is not rated (non-evaluable) as these are embodied in projects that were supported.

Conclusion

4.34 The overall rating for the outcome of support for the growth agenda is *moderately satisfactory* for both institutions, although there are nuances between the two. In agriculture, both institutions provided the right support but failed to significantly modernize the traditional agriculture. AfDB, building on its dialogue, emphasized support for rural infrastructure – communal roads, marketing, and irrigation – that has come to be seen as the basis for an effective modernization of agriculture. Similarly, despite the efforts of the two institutions to help improve the coverage and availability of power and to reduce its cost, the current status is about a decade behind expectations. In terms of improving the environment for PSD, some progress was made in the environment for doing business, in linking Uganda to the rest of the world, and advances in roads reform and other transport systems are underway. Yet, as costs remain high, entrepreneurs continue to rank transport services a major barrier to business.

NOTES

1. The World Bank CEM (World Bank, 2007a paragraph 1.38) reports that the incremental capital-output ratio (ICOR) for the period 1992-96 was 1.8. This increased slightly to 2.2 for 1996 to 2004. It concluded that the ICORs are very low and are likely to increase rapidly with improved utilization of capacity.

2. The CEM (World Bank 2007a) was prepared jointly with government authorities and local researchers. It had been 10 years since the last CEM had been prepared. The CEM explored constraints to growth, putting the WB again in the forefront of thinking about economic growth in Uganda. The analytical work concurs on the need to give economic growth a higher priority and suggests a focus on removing growth constraints. The Country Operations Unit of the WB has underscored that because of the participatory approach adopted in preparing the CEM, although completed late in the period under review, it did contribute significantly to the growth discussion for the 2004 PEAP and subsequent UJAS.
3. Some stakeholders interviewed by the IEG/OPEV team noted that there were many irregularities associated with the privatization process and felt that the people of Uganda lost a great deal of funds in the process.
4. These include: promoting private sector competitiveness, increased agriculture production, increased and more effective production of nonagriculture goods and services, strengthened infrastructure in support of increased products of goods and services, strengthened environment and natural resources management, and strengthened financial sector.
5. The documentation for Power IV presented a risk analysis of the electricity expansion plan under implementation and noted that the energy balance would be tight until the completion of Bujagali HEP. Construction of complementary thermal capacity was considered and dismissed. The internal documentation is ambiguous and often misrepresents the true contribution to capacity of the extension of Owen Falls. UJAS, coming after the postponement of the Bujagali HEP initiative, did put forth a strategy on energy concomitant with the magnitude of the risk and the crisis. Oddly, the results matrix emphasizes rural electrification and the production of alternative energy. In addition, there was no analysis of the risks implicit in the proposed overhaul of the institutional framework.
6. If fishing, mostly monetary, is added the percentage increases to 15 percent of GDP. The rest of the production is mixed between monetary and nonmonetary. For food crops, which is the bulk of the production (64 percent of the total agriculture value added), 47 percent of the production is monetized.

5. The Challenge of Human Development

5.1 **Context.** The policy environment for human development was defined by the PEAP (2000, 2005). The national health policy was developed in the Health Sector Strategic Plan (HSSP-I) launched in 2000, which was followed by the HSSP-II in 2005. With the facilitation of the World Health Organization (WHO) and leadership of the Ministry of Health (MOH), a health sectorwide approach (SWAp) among DPs was launched in 1999. In education, two major policy events were critical to shaping the direction of the sector. A massive push was made toward the achievement of universal primary education (UPE) following the President's announcement of free primary education during an election campaign in 1996. Under the initiative, all school fees were waived for up to four children in a family, two of which should be girls.¹ At the same time the GOU, introduced a SWAp that helped to sharply increase public spending on primary education.² The impact of the UPE initiative on demand for education was unparalleled. Within a year the number of children enrolled in primary school increased by almost 70 percent to a total of 5.2 million by 1998.

5.2 Gender stereotypes are still deeply ingrained in Ugandan society. Among the measures put in place to address gender issues and improve women's lives and position relative to that of men are the initiatives embodied in the UPE – accompanied by a media campaign to promote education for girls and delayed marriage, which greatly benefited girls' schooling – and the abolition of user fees for health services, which has been particularly beneficial for women's health care needs. Provisions have also been made for affirmative action with regard to girls' admission to higher education and quotas have been set for female political representation on national and subnational levels. Gender considerations received a major boost during the 2005 PEAP revision, which introduced enhancement of gender equality as a key measure for economic growth.

WB and AfDB Strategies

5.3 **Assessment of the Relevance of WB Strategy.** The human development strategy of the WB, as defined in the 2001 CAS, was aligned with the fourth PEAP pillar (directly increasing the quality of life of the poor). It focussed mainly on access in the health and water sectors, and on access and quality in education. The main vehicle of support was a series of six Poverty Reduction Support Credits (PRSCs), which emphasized service delivery, with defined targets for immunization and trained staff in health, pupil resource ratios in education, and benchmarks for water supply (Annex C). The PRSCs were supported by investment operations in the context of the HIV/AIDS and capacity building interventions. WB assistance on human development was also undertaken within the ongoing effort to strengthen local government capacity through decentralization. Strengthening donor coordination at the sector level was also seen as a key component.

5.4 The UJAS framework for human development builds on the PEAP and introduces additional focus on the quality of health and education and identifies high population growth as a risk to implementation, a risk that strategy partners are called to mitigate by encouraging the government to address political sensitivities around family planning. The results framework for UJAS is defined in a matrix largely taken from the PEAP, with well-defined targets (Annex C). The WB's specific support is focused on increasing primary net enrollment and completion rates and water supply and sanitation as well as the reduction of infant and maternal mortality rates, the incidence of HIV/AIDS, malaria, and tuberculosis.

5.5 The WB's strategy for human development is substantially relevant for meeting Uganda's development challenges and is closely aligned to GOU strategy as laid out in successive PEAPs and sector strategies. The strategy documents displayed selectivity within the relevant PEAP pillar by concentrating on primary health care and HIV/AIDS prevention and on primary and secondary education, leaving the lead in other areas to other DPs. The 2001 CAS results framework, which predated the results-based CAS requirement (in 2005), was adequate for monitoring country performance and was complemented by relevant expenditure tracking surveys.

5.6 Although population growth was part of the PRSC discussions, some government officials felt that the approach adopted by the WB was not forceful enough. The 2001 Uganda CAE had highlighted the urgency for dealing with the issue in the previous CAS period: "The neglect of population and reproductive health issues in a country with a poor record of girls' education and high rates of population growth, fertility, and maternal mortality is a striking gap." Five years later, the UJAS notes that population growth constitutes a "risk to strategy implementation" and "poses a long-term challenge to growth and poverty reduction." The WB's approach during the period reviewed was understandably cautious because of the general lack of consensus among development partners on the issue.

5.7 **Assessment of the Relevance of AfDB's Assistance Strategy.** The human development strategy of the AfDB, like that of the WB, was formulated within the framework of the PEAP. The 2002 CSP shifted the AfDB's focus from the provision of health and education infrastructure to improving the quality of health and education services. This shift, promoted through reforms agreed in the PRSL, was considered important given the lack of progress on some of the social indicators. These reforms were also to facilitate the implementation of the health and education investment operations committed during the preceding CSP (1999–2001), support to the GOU's first Support for the Health Sector Strategic Plan (SHSSP), and the Education Sector Investment Plan (Education II). In the water sector, the 2002 CSP set as an objective the improvement of access and equity in the provision of safe water and sanitation. Under the UJAS, AfDB assistance envisaged devoting close to half of its planned commitment to the human resource development pillar of the PEAP. This AfDB support was to enhance access to primary healthcare, quality post-primary education, and to safe water and sanitation. It was to be delivered through health and education investment projects and earmarked budget support for rural water supply and sanitation.

5.8 Like the WB, AfDB's strategy for human development is highly relevant to Uganda's development challenges and aligned to GOU strategic programs. A new health project was deliberately postponed in 2001 to make sure it met the government's strategic objectives for

the sector. In education, the committed projects (investment and policy-based lending) were satisfactorily designed and aligned with the government's strategies for the sector. The CSP (2002-04) largely depended on the PEAP outcome targets and did not establish independent baseline and intermediate levels indicators. The AfDB's aid delivery instruments were similar to those used by other DPs in the water sector, but in supporting human development initiatives it demurred on the use of the SWAp and general budget support (GBS), which were the preferred instruments of the other DPs. Another weakness of AfDB's strategy was it focused mainly on rehabilitation of infrastructure and access issues in earlier years, although strategic emphasis evolved toward quality issues.

Achievement of Objectives

5.9 During FY01-07, the WB committed an estimated \$725 million (35 percent of total commitment) in investment operations and budget support (PRSCs) to augment the GOU's human development efforts. The AfDB committed an estimated UA98.4 million (excluding commitment for multisector operation, estimated at UA49.6 million) during FY02-07. This constituted about 20 percent of total commitment during the period by AfDB (or about 30 percent if all multisector operations are considered human development assistance). AfDB's commitments amounted to about 20-30 percent of the WB support to the sector and the relative contribution of the two banks to the expected outcomes on the human development agenda should be seen in this light.

5.10 **The WB's Assistance Program.** Self-evaluation by the WB (Implementation Completion Reports) of the first four PRSCs rated the outcomes of WB assistance satisfactory. IEG's review rated the outcomes moderately satisfactory for the first three PRSCs and moderately unsatisfactory for the fourth. In addition, several more comprehensive assessments and evaluations that looked at the achievements and limitations of budget support to Uganda in general and the PRSC instrument in particular also provided contrasting assessments.³ This review concurs with the findings of the earlier evaluations with respect to the role played by the PRSCs in the WB support for human development.

5.11 The evidence shows that general budget support operations (including PRSCs) contributed to a major expansion of basic service delivery at the subnational level in education, health, and water and sanitation. The expansion was largely pro-poor and equitable, but was offset by weak service quality and very limited impact on important outcome indicators. However, the PRSC had proven particularly beneficial for cross-cutting issues, one of the reasons for the considerable expansion of the PRSC's policy action agenda. One often-cited example from the education sector described how teacher recruitment and deployment, classroom construction and textbook publishing, all important elements of the education reforms led by the Ministry of Education and Sport (MOES), fall under the responsibility of three other ministries, making a PRSC policy action an important incentive for cooperation between the ministries involved.

5.12 While the use of the PRSC dominated the WB's assistance for human development during the evaluation period, four investment projects in health and two in education were also instrumental. The District Health Services Project (DHSP) was by far the most

important source of external financing for district health services in the country. Despite design flaws and failure to achieve many of its objectives, it contributed to more effective decentralization of the health sector and helped pave the way for a viable SWAp through strengthening policy formulation and strategic sector management, as well as by successfully coordinating development partners. The Nutrition and Early Childhood Development Project (NECDP) yielded modest improvements in nutritional status and cognitive development in children, but had unclear outcomes for health status. The Sexually Transmitted Infections Project (STIP) was the first free-standing HIV/AIDS project in Uganda. The project helped successfully decentralize the fight against HIV/AIDS, establish multisectoral interventions and civil society partnerships, and build capacity in several relevant disciplines. It was followed by the Multi-Country HIV/AIDS Program (MAP).⁴ The outcome of the project was rated moderately unsatisfactory mainly because prevention objectives were not met (Table 12). However, the project contributed to strengthening Uganda's capacity to respond to the HIV/AIDS challenge at multiple levels.

Table 12: World Bank Project-Based Support for Human Development

<i>Project name</i>	<i>Outcome</i>	<i>Institutional development impact</i>	<i>Sustainability</i>	<i>Relevance</i>	<i>Bank performance</i>	<i>Rating source</i>
District Health Services	Moderately unsatisfactory	Substantial	Likely	Substantial	Unsatisfactory	PPAR
Nutrition and Early Childhood Development	Moderately unsatisfactory	Substantial	Unlikely	Substantial	Unsatisfactory	ICR Review
Sexually Transmitted Infections	Moderately unsatisfactory	Substantial	Likely	High	Satisfactory	PPAR
MAP Uganda	Moderately unsatisfactory	No rating; ID objective substantially achieved	Risk to development outcome rated significant	Substantial	Moderately satisfactory	ICR Review
Education Sector Adjustment Credit	Satisfactory	Substantial	Likely	No separate rating; favorable review	Satisfactory	PPAR
Primary Education and Teacher Development	Moderately satisfactory	Substantial	Likely	No separate rating; favorable review	Satisfactory	PPAR
Makerere University Training Pilot	Satisfactory	No rating; favorable review of ID aspects	Risk to development outcome rated moderate	No separate rating; favorable review	Satisfactory	ICR Review

Source: Various WB ICRs (Implementation Completion Reports), ICR Reviews, and PPARs (Project Performance Assessment Reports).

5.13 With respect to education, two projects that closed in FY01 (Primary Education and Teacher Development and the Education Sector Adjustment Credit) were relevant as they paved the way for the PRSCs. The education project portfolio also included two interventions with a focus on tertiary education. The Makerere University Training Pilot

Project was a Learning and Innovation Loan (LIL), with the objective to strengthen public service delivery at local government levels by improving and restructuring relevant education and training services of higher education institutions. Despite some flaws in project design and weaknesses regarding timely evaluation of innovative mechanisms created under the project, this LIL was very successful in demonstrating the benefits of involving higher education institutions in creating knowledge on decentralization, and in providing civil servants with the necessary skills to improve local service delivery in a decentralized environment.

5.14 AfDB's Assistance Program. AfDB's support for human development was also in four areas—health, education, water and sanitation, and gender—and it paralleled the operations of the WB. The support for health was provided through the Support to the Health Sector Strategic Plan (SHSSP, 2000). An AfDB internal evaluation (the Project Completion Report, or PCR) rated the project outcome satisfactory, although this could refer only to the achievements of physical and training targets and their intermediate effects. The scarce outcome data presented in the PCR pointed to health outcome improvements (for example, fatality rate among children under five from anemia and malaria declined in the project district visited by the PCR team and infant immunization coverage increased), though limited by inadequate supply of staff and mental health drugs (especially for poor patients) and the late delivery of some equipment and furniture. Nonetheless, access to services for mental and primary health patients significantly increased. Also, utilization of the facilities provided under the project was strong and stakeholders in MOH expressed satisfaction with the project to the CAE team. The successor and ongoing project, SHSSP II (FY06) continued AfDB support to expand access of the population to mental health services. It also aimed to improve reproductive health service delivery in order to reduce maternal mortality.

5.15 AfDB support for education through the Strategic Investment Plan, Education II Project (2000) focused on improving access to quality primary education and reducing gender inequality in secondary science education in rural communities. This project supported at the primary level, classroom construction, teacher and curriculum development, and textbook procurement, as well as the delivery of functional science laboratories and libraries to rural girls' secondary schools.⁵ In addition, the PRSL (2001), directed to improving basic public services, supported education mainly through enhancement of capacity for primary education teaching, district management, and better distribution and utilization of textbooks. The follow-up and ongoing support to the Education Strategic Investment Plan, Education III (2005), aimed at reducing imbalances in regional educational attainments by improving access to quality secondary education in remote communities. It was also to contribute to enhancing access to relevant and effective business, technical, and vocational training and skills acquisition.

5.16 The AfDB also provided support to advance gender equity and improve access to water and sanitation. The Rural Microfinance Support Project (1999) was the vehicle for this and followed up on the Poverty Alleviation Project (which closed in 1998 and successfully introduced rural banking services). The Rural Towns and Water Supply and Sanitation Study (2000) provided the analytic basis for the Small Towns Water and Sanitation Projects

of 2004 and 2005. Both projects are credited with helping exceed the CSP performance targets for protected springs, boreholes drilled, and new wells constructed.

5.17 Overall, the performance of the AfDB's project assistance was satisfactory – the project ratings reveal satisfactory outcome with substantial institutional development impact and likely sustainability (Table 13). However, the performance for Education I and SHSSP I can only be considered likely, as most of their outputs have yet to produce any substantial effects. The overall performance of the education support from the PRSL was also rated satisfactory. A key success factor was the high commitment of the GOU to improving the policy environment and to ensuring the delivery of the funded outputs, as well as the high participation of the direct recipients of the project outputs. However, the effectiveness of the AfDB project assistance, as expressed in supervision mission reports between October 2000 and June 2007, suffered from delivery delays, inadequate counterpart funding, monitoring and reporting, and limited use of some of the deliveries.

Table 13: Ratings of AfDB-Supported Projects on Human Development

<i>Project name</i>	<i>Project outcome</i>	<i>Institutional development impact</i>	<i>Sustainability</i>	<i>Relevance</i>	<i>Bank performance</i>	<i>Rating source</i>
Support to the Health Sector Strategic Plan	Satisfactory	Substantial	Likely	Relevant	Satisfactory	PCR Review
Health Services Rehabilitation Project	Satisfactory	Substantial	Likely	Relevant	Satisfactory	PCR Review
Strengthening of Scientific and Technical Teacher Education	Satisfactory	Substantial	Likely	Relevant	Unsatisfactory	PCR Review
Education II	Satisfactory	Substantial	Likely	Relevant	Satisfactory	Sector Review

Source: OPEV PCR Review Note and Sector Review

Assessment of Country Outcomes

5.18 **Assessment of Country Outcomes.** Because the CAS and CSP were aligned to the PEAP, an assessment of overall country outcomes against the PEAP targets is necessary to understand the achievement of the subset of outcome targets supported by the WB and AfDB. In general, during the period reviewed, access to basic services improved – more children are now going to school, more patients use health care centers, and more people use safe water sources and proper sanitation. This development is corroborated both by indicators as well as beneficiary surveys. In health, more staff are assigned to health facilities, and vaccination rates have increased considerably, thereby meeting the 2001 CAS/2002 CSP targets by 2003 (Table 14). Also important for health outcomes is the increase in safe water and sanitation facilities, which is likely to lighten the burden of water-borne illnesses and diarrhea. In education (Table 15), input-related indicators have improved and largely met targets. In addition, learning outcomes show positive trends, indicating that the inputs are paying off.

5.19 However, overall results in the health sector are disappointing. Drug stock-outs continue to be the norm, and staffing of health centers has stagnated at an insufficient level. More worrisome still is the obvious lack of impact of health service expansion on key outcome indicators, in particular maternal mortality and associated factors, such as the total fertility rate (TFR) and family planning uptake.⁶ The health system, in fact, seems only moderately improved over its status at the beginning of the evaluation period with decreasing shares of GOU budget, increasing demand for medical services corresponding to increasing incidences of malaria, and signs that HIV infections may be on the rise again. Yet, findings from the most recent NSDS indicate increasing beneficiary satisfaction with health services, including their quality. About two-thirds of the households surveyed reported that health services, particularly for immunization, had improved compared to 2000. However, lack of drugs in public health facilities is a common complaint. The beneficiary survey data on quality are somewhat contradictory, but overall there is a sense of appreciation among beneficiaries for services provided that should not be underestimated.

Table 14: Health Performance Indicators 2001-07

<i>PEAP/UJAS/PRSC indicators</i>	<i>FY2001</i>	<i>FY2002</i>	<i>FY2003</i>	<i>FY2004</i>	<i>FY2005</i>	<i>FY2006</i>	<i>FY2007</i>
Infant mortality rate	88					76	
Maternal mortality rate	505					435	
Outpatient department utilization rate (new attendance)	0.43	0.6	0.72	0.79	0.9	0.9	0.9
HIV prevalence rate (%)	6.1	6.5	6.2			6.4	
Health facilities without stock-outs of tracer medicines/supplies (%)	40	42	53		35	27	35
Approved posts filled with trained health workers (%)	40	42	66	66	68	68	38*
Deliveries in health units (%)	23	19	20	24	25	29	32
Couple years of protection ('000)			211	212	234	310	357
DPT3/pentavalent vaccine coverage, children <12 months (%)	48	63	84	83	89	89	90
Population with access to safe water (%)	55			60			
Urban	85			87			
Rural	51			56			
Latrine coverage (%)		51	56	57	57	58	59

* Not comparable to previous figures, different methodology.

Source: Ministry of Health, Uganda.

5.20 The results for education are mixed for both WB and AfDB with respect to the targets established in the CAS/CSP but seem to point to the right direction. Learning outcomes are getting better and the sector is starting to implement a more comprehensive response to the quality challenge (Table 15). Drop-out rates and repetition rates are high and completion rates decreasing, but this may be an effect of the enormous wave of students who entered the system with the first few UPE cohorts (Figure 4), especially after 1998. At the national level, the education sector seems to be capable to take on the efficiency

CHAPTER 5
THE CHALLENGE OF HUMAN DEVELOPMENT

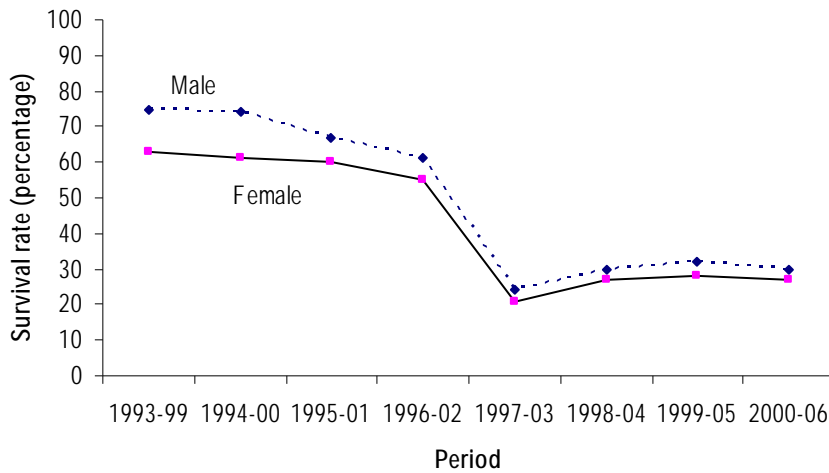
problems that are being identified in increasing detail. Beneficiaries feel empowered by UPE and value the education services that are increasingly provided. Quality reasons are rarely cited for dropping out of school – much more common are socioeconomic reasons, mainly the costs associated with going to school.

Table 15: Education Performance Indicators 2001-07

	<i>FY2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>
PEAP/UJAS Indicators							
Primary net enrollment rate	87	85	87	89	93	92	92
Male	87	83	87	89	94	94	94
Female	86		86	89	92	90	90
Primary completion rate (%)	63	49	56	62	51	48	50
Male	71	59	66	72	54	55	
Female	55	41	47	54	47	42	
Secondary GER	13	20	20	17	19	34	
Male	15	21	21	19	20	38	
Female	12	18	18	15	17	30	
Secondary completion rate to S4 (%)	21	22	18	25			
Male	23	25	20	28			
Female	19	19	17	22			
Tertiary gross enrollment rate	2.7	3.0	3.0	3.4			
Male	3.6	3.9	3.9	4.2			
Female	1.9	2.1	2.1	2.6			
PRSC Indicators							
Primary pupil/teacher ratio	58	56	56	54	52	48	52
Primary pupil/textbook ratio	2.5		3.0	1.6	1.8	1.8	
Primary pupil/classroom ratio	98	94	94	85	79	77	72
Proficient in literacy P3 (%)			34		39	46	46
Male			33		37	44	44
Female			36		40	47	47
Proficient in literacy P6 (%)			21		30	34	50
Male			20		32	33	48
Female			20		28	34	51
Proficient in numeracy P3 (%)			43		45	43	45
Male			44		46	45	46
Female			42		44	40	43
Proficient in numeracy P6 (%)			21		33	31	41
Male			26		39	34	46
Female			15		27	27	37

Source: Ministry of Education, Uganda.

Figure 4: Survival Rates for All Primary Schools (in percentage)



Source: Ministry of Education, Uganda.

5.21 With respect to water and sanitation, the WB CAS Completion Report (CASCR) concluded that, with support from the Small Towns Water project of the AfDB and the PRSCs, all CAS performance targets (protected springs, boreholes drilled, and new wells constructed) were exceeded. Both rural and urban access to safe water showed major improvement, on track to exceed the corresponding Millennium Development Goal (MDG) target. On the other hand, the CASCR noted that a lack of progress in sanitation provision and hygiene mitigation had important negative effects on achievement of MDGs in the area of infant, child, and maternal mortality.

5.22 **WB's Contribution.** The WB's contribution to the achievements in the social sectors was substantial (Table 16). The WB was the largest donor to Uganda over the evaluation period and had substantial staff capacity on the ground. Its PRSC instrument was at the center of budget support operations, defining the framework for all budget support donors. With GOU budget allocations to the main social sectors relatively stable, the WB aid helped pay for the considerable expansion of pro-poor service delivery and thus directly contributed to increased access to basic services as well as to observed improvements in some aspects of service quality in health, education, and water supply and sanitation. The link is particularly strong in education for two reasons. First, funding came largely out of the GOU budget, with very little project-based aid. Second, education was the largest recipient of GOU budget over much of the period under review. In addition, the WB was important in influencing education policy via analytical and advisory services.

Table 16: World Bank Support to the Human Development Agenda

<i>CAS pillar</i>	<i>Expected outcome</i>	<i>Actual outcome</i>	<i>Contribution</i>
Improved health care services	Immunization ratios (DPT3) to increase to 80% by 2002/03 Increased percentage of health centers with trained staff to 65% by 2002/03	Despite improved access and citizens' satisfaction with public health service delivery, outcomes remain unsatisfactory for family planning and reproductive health. The effectiveness of PRSC as instrument for dealing with specific health sector issues is declining.	Support was provided through the HIV/AIDS SIL, the PRSC 1-6 and ESW such as the Health Expenditure tracking (FY02), Health Sector Performance (FY04), and Health System Support (FY07).
Primary education	Pupil/teacher ratio of 47 by 2002/03 Pupil/class ratio of 87 by 2002/03 Pupil/book ratio of 3 by 2002/03	Support has yielded equitable coverage, especially for girls; provided institutional strengthening by meeting output targets established in the PEAP; and through PRSCs, sustained resource flow to sector. Support was unable to deal with inefficiency issues and concerns with Uganda's attainment of MDG2.	The PRSC 1-6 led the way, supplemented by the Makerere Decentralization Service Project (FY02), and ESW on post-primary (FY03) and Tertiary (FY04) Education.
Water and sanitation	Boreholes drilled: 1,500 by 2002/03 Protected springs: 700 by 2002/03 Protected wells: 1,700 by 2002/03	Support through the PRSCs to local governments helped exceed all CAS performance targets (protected springs, boreholes drilled, and new wells constructed). Both rural and urban access to safe water showed major improvement, on track to exceed the corresponding MDG target. There was limited progress in sanitation provision and hygiene mitigation, with potential negative effects on the achievement of MDGs for infant, child, and maternal mortality.	The PRSC 1-6 and the Uganda social Action Fund support investment in this sector supplemented ESW on urban water (FY01) and Water Supply Delivery Impact Assessment (FY05).

Sources: Annexes C and D.

5.23 WB funding was also crucial in advancing effective decentralization of the sectors—conditional grants for the service delivery sectors out of the GOU budget financed much of the sector strategy implementation on the subnational level and the WB's unconditional grants under the LGDP II constituted the only sizeable funding many districts received for discretionary spending. Some WB contributions to observed outcomes predate the interventions of recent years—without the PEAP process and resulting sector strategies and SWAs, it was unlikely that service expansion of the magnitude observed in Uganda could have been possible. The WB's role in developing this framework was considerable, and institutional strengthening, mainly by working with and through local systems, continues to be one of the stronger points of WB assistance.

5.24 However, there is a caveat that tends to come up in assessments of the impact of general budget support, which probes the counterfactual for the social sectors: would the expansion in the social sectors not have happened without the support of the WB and other donors? It appears that generous donor fund support has: (i) made it possible for the GOU to delay reforms of domestic revenue mobilization; (ii) worked as a disincentive to increasing efficiency in service delivery; and (iii) enabled the GOU to afford costly policy measures introduced before adequate analytic work has been undertaken. Conversely, this would imply that less donor funding need not necessarily have meant less progress on sector strategy implementation. The conclusion is not clear.

5.25 Based on the above, the outcome of WB assistance for education is rated *moderately satisfactory*. Attention to gender aspects is satisfactory overall. The rating for education is mainly determined on the positive side by: (i) the further expansion of the education system that brought children from poor backgrounds and girls into school who would otherwise not have had a chance to get any education at all; (ii) the observed strengthening of the quality aspects of education, and recent acceleration that has led to emerging positive trends in some outcome indicators; (iii) the fact that expectations of quality in education have to factor in systemic performance issues associated with schooling large numbers of underprivileged and undernourished children; (iv) the institutional strengthening that has enabled the sector to further streamline its processes and increase its ability to analyze and respond to major challenges; and (v) Ugandan's expressed satisfaction with UPE despite system shortcomings. On the negative side the rating is affected by flattening or even decreasing net enrollment rates in primary education over the past few years; and persistence of inefficiency issues and concerns with the attainment of MDG 2.

5.26 While it is still involved in sector dialogue and planning processes, the WB is not or among the most active players in health. Within MOH the WB is most appreciated for financing consultants for brief assignments and on short notice. This concurs with DPs' recent impression that the WB has been less active in the sector working groups⁷ and should have led a more committed and regular technical dialogue with the health sector, and with analytical work, which has been limited. The WB presence and advocacy in the HIV/AIDS segment is said to have waned once it was no longer linked to a project. Given the WB's long-standing prevention-focused support – a sharp contrast with the treatment-centered agenda of the global health institutions and PEPFAR's ideology-driven neglect of condoms as a major element of prevention strategies – its perceived retreat from the dialogue is seen as detrimental to achieving a sensible balance of investments in the segment. On the positive side, the WB continues to strengthen its domestic HIV/AIDS initiative. Through the WB-associated Aids Strategy and Action Plan (ASAP) it supported the peer reviewing process for the National Strategic Plan on HIV/AIDS and funded consultants to help the Uganda AIDS Commission (UAC) develop an annual action plan for strategy implementation.

5.27 The outcome of WB assistance to the health sector is rated *moderately unsatisfactory* owing to: (i) unsatisfactory outcomes on family planning and reproductive health issues as well as the health MDGs and corresponding PEAP indicators; and (ii) the presence of major inefficiencies in health service delivery and decreasing scope for effectiveness of the budget support instrument in the sector. On the positive side, there has been increased access and utilization, and citizens' satisfaction with public health service delivery has increased.

5.28 **AfDB's Contribution.** AfDB's contribution to Uganda's health sector was modest due largely to the modest scale of assistance and its narrow focus on project activities (Table 17). Apart from the support provided through the PRSL, the AfDB's interventions were limited to mental and maternal healthcare in a few districts. AfDB project-generated data on outcomes were patchy, and there were no national-level indicators that measure outcome of mental health services provision, one of the main areas of focus of the SHSSP. According to the most recent Annual Health Sector Performance Reports (AHSPR), most regional referral hospitals are still only partially functional regarding mental health services, with no

psychiatrist on staff. On lower levels psychiatric nurses remain in short supply, too. Particularly critical is the drug situation – demand for a mental health service is increasing but drug stock-outs in this segment were the norm. The trends seem to be moderately positive both with regard to recruitment of mental health staff and drug availability, but the segment repeatedly missed annual targets and the 2006/07 AHSPR lists gross under-funding of mental health medicines as a major challenge. In conclusion, AfDB project activities have contributed to increasing health service infrastructure and access to services in mental health, but the realization of the full potential contribution of AfDB’s mental healthcare interventions remained limited.

Table 17: AfDB Support to the Human Development Agenda

<i>CSP pillar</i>	<i>Expected outcome</i>	<i>Actual outcome</i>	<i>Contribution</i>
Health: Improve efficiency and effectiveness of existing health care delivery systems	54% of children less than 1 year old have received DPT3 vaccination Outpatient department utilization per capita of 0.47 HIV prevalence reduced to 5.4%	Access to mental health and maternal health services increased, but access to mental health services continued to be severely limited by shortages of staff and drugs.	The Support to Health Sector Strategic Plan (2000) was the main vehicle for support. It was followed by the ongoing Support for Health Sector Strategic Plan (2006). The PRSL also supported the health sector.
Education: Improve access to quality primary education, and for girls, into secondary science education in rural areas	Pupil-teacher ratio 45:1 Pupil-textbook ratio 3:1 Pupil-classroom ratio 89:1 P7 net enrollment 20%	Gender inequality in accessing science education in rural communities decreased. Improvements in the quality of education were limited by the slow pace of delivery of support and high demand for education. The education sector continued to be characterized by high drop-out rates and low transition rate from primary to post-secondary education	Education II (2000) was the main vehicle of assistance; the PRSL provided complementary support.
Water and sanitation: Increase access to water and sanitation in small towns	Increased access to safe WSS from 52% to 60% 80% WSS systems functioning Increased access to safe urban WSS from 50% to 65%.	Support from the Small Towns Water project helped exceed all CSP performance targets (protected springs, boreholes drilled, and new wells constructed). Both rural and urban access to safe water showed major improvement, on track to exceed the corresponding MDG target. Relative neglect of sanitation provision and hygiene mitigation could have potential negative effects on achievement of MDGs for infant, child, and maternal mortality.	The Rural Towns Water Supply and Sanitation Study (2000) underpinned the two Small Towns Water and Sanitation projects (2004 and 2005) that served as main vehicles complementing similar support by the WB and other bilateral agencies in the local government areas.

Source: Annexes C and D.

5.29 The AfDB’s assistance made substantial contributions to the education outcomes during the review period, although it is largely oriented toward infrastructure and capacity building. AfDB assistance accounted for more than 5 percent of the external funding of the education sector and covered all districts in the country. Of the 8,887 new primary schools built nationwide between 2004 and 2007, the AfDB’s assistance accounted for 18.3 percent (1,629), which created classroom space for 117,288 primary pupils. The assistance also

created in secondary schools 6,480 student laboratory spaces and 1,621 student library spaces for girls. It also assisted in enhancing school productivity by supporting capacity building and school curriculum development and diversification. It trained teachers and equipped schools with appropriate equipment and materials. It also introduced and facilitated agricultural education and skills development in the school curriculum.

5.30 AfDB's interventions in water and sanitation have permitted the rehabilitation and construction of water supply and sanitation systems in small towns and rural areas. While performance was generally satisfactory, the results have revealed a need to pay more attention to disadvantaged beneficiaries, especially the rural poor and women. Part of AfDB's assistance was channelled to the Integrated Agriculture and Water Shed Management Program, which supported the PMA. Its components included the development of cost-effective and market-driven small-scale irrigation and water harvesting schemes, soil management, arid lands development, marketing and agro-processing, and complementary infrastructure such as rural electrification and farm access roads, as well as institutional and capacity building at the farmer, district, and central government levels.

5.31 The AfDB's country office in Uganda has played a supporting role in country dialogue, but the absence of social sector specialists was a major limitation. Meetings relevant to the health sector were attended by a macroeconomist who covers several other sectors as well, and was not likely to be able to add much in terms of technical expertise or strategic advice to the sector dialogue. The AfDB was not represented in the sector's thematic working groups. Health reviews were only occasionally attended by a specialist from Tunis, which again limited AfDB's scope for adding value to the review process.

5.32 The review concludes that outcome of AfDB's assistance in education and health is *moderately satisfactory*; while that for water and sanitation is *satisfactory*. The low outcome rating for education and health is attributed to the failure of the support to effectively address the quality constraint and the delivery inefficiencies. The assistance to both sectors was largely oriented toward infrastructure and capacity building, with only partial focus on quality issues. The education system in Uganda still has high drop-out rates and a low transition rate from primary to post-secondary education. This will threaten the relevance of education for the next few decades in an environment where the greatest shortage is in skilled labor at all levels. The AfDB's focus in health was narrow, limited to a few districts, essentially contributing to increase access to mental and maternal health service, which was limited by shortages of staffing and drugs. Although of increasing importance, mental health was still considered relatively less critical in allocating scarce national budgetary resources. Also, the delivery of the AfDB's assistance to health and education was subjected to delays in project execution. With respect to water and sanitation, AfDB's interventions have permitted the rehabilitation and construction of water supply and sanitation systems in small towns and rural areas with generally satisfactory outcomes.

Conclusion

5.33 The outcome of WB and AfDB assistance for human development is *moderately satisfactory* overall for both institutions. The support each bank provided contributed to

the improved access and equitable coverage in health, education, and water supply and sanitation. Regarding the WB, the key concerns were the quality of service and the weak role played by the PRSCs as the instrument for delivery. Similarly, the effectiveness of the AfDB's assistance, largely oriented toward infrastructure and capacity building, was limited by the delivery deficiencies and the partial focus on quality issues.

5.34 For both institutions, the failure to advance the dialogue on the crucial issue of population was a major omission. Driven by a total fertility rate (TFR) of around 6.7 births per woman, among the highest in the world and well above the SSA average of 5.5 (HDR 2007/08),⁸ Uganda's population growth poses one of the highest constraints to its poverty reduction efforts. The country's annual population growth stood at 3.6 percent in 2006 according to World Bank data, up from 3.1 percent in 2000. Even assuming a significant decline in TFR over time, Uganda's population would roughly double in size every 20 years. Since 2000, the population has grown by more than 5 million. There is considerable risk that population pressure will prevent further improvements in development indicators, undercut achievement of most of the MDGs, and jeopardize present levels of service provision, inhibit growth, increase inequality, and foster social instability and conflict (World Bank 2006). The WB's Strategic Gender Assessment identifies persistent gender inequalities in education, employment, earnings, and bargaining power at the household level as factors closely linked to the exceptionally high fertility.

NOTES

1. The four-child limit was soon abandoned, and today all school-aged children are eligible for free primary education.
2. These initiatives were supported by the Education Strategic Investment Plan of 1998-2003 (ESIP) and the Education Sector Strategic Plan of 2004-15 (ESSP), both of which were anchored in the PEAP.
3. WB PRSC Stocktaking Paper; Lister et al. (2006); Joint Evaluation of General Budget Support, 1994-2004, Uganda Country Report; and the draft PPAR for PRSCs I-IV.
4. The HIV/AIDS Control Project became effective in FY01 and at that time was the only major source of external funding for HIV/AIDS. That changed when the Global Fund and, later, PEPFAR took up operations in Uganda.
5. Education II was preceded by Education I (1990), which supported the improvement of the quality of scientific and technical teacher training.
6. It should also be noted that GOU data tend to overstate achievements compared to results from household surveys. This is true for the contraceptive uptake indicator "couple years of protection," for example. The latest Demographic and Health Survey does not indicate any significant increase of contraceptive prevalence, while the PEAP indicator has steadily gone up. Similarly, vaccination rates look better in GOU tabulations than in household surveys.
7. The Bank is represented in 3 of 10 sector working groups under the division of labor exercise.
8. Figures vary somewhat, but this is the most frequently quoted one for 2005 (Uganda Demographic and Health Survey 2006, HDR 2007, United Nations Population Division database). Other sources quote up to 7.1 births per woman (World Bank WDI Database for 2005).

6. Evaluation of IFC Activities

Background

6.1 Uganda has a variety of attributes that offer good economic growth potential for private sector development: favorable conditions for a broad range of agricultural production, attractive tourist destinations, valuable mineral deposits, hydropower potential, untapped oil and gas reserves, and an educated labor force. Uganda is also close to rapidly growing East African markets, has favorable access to European and U.S. markets, and is a member of the Common Market of Eastern and African States, a market of 380 million people. Recent reforms have consolidated and the country's reform program has advanced over the past decade, during which time it has seen sustained private sector-led growth. Uganda is currently ranked the third freest economy in Sub-Saharan Africa (SSA) after Botswana and Mauritius by the Heritage Index of Economic Freedom.

6.2 However, several obstacles, particularly the lack of infrastructure, continue to constrain private sector activity. Inadequate transport and energy infrastructure, in particular, remains a major obstacle to doing business and adds significant costs. In transport, for example, the main route from Uganda to a port is through Kenya to Mombasa. However, while it costs \$600 to transport a 40-foot container by rail from Nairobi to Mombasa, it costs \$3,900 to transport one from Kampala to Mombasa. Road transport linking Uganda's rural areas and centers of tourism with Kampala is also limited. In energy, commercial tariffs are among the highest in the world and nearly double those in Kenya. Electricity distribution infrastructure outside Kampala is minimal and only 5 percent of the population has access to electricity. In the banking sector, high collateral requirements, short lending terms, and limited reach in rural areas inhibit access to finance. Complex land ownership laws and an inadequate land registration system undermine property development and access to credit, particularly for women entrepreneurs.

IFC Objectives

6.3 IFC's objectives in Uganda between FY99 and FY08, as reflected in the 1997 joint WB-IFC Country Assistance Strategy (CAS), the FY01 joint WB-IFC CAS, IFC's FY03 Strategic Initiative for Africa, and the FY05 UJAS. These objectives consisted of:

- **Infrastructure Development:** Making a major contribution in enabling and financing private sector infrastructure, including power generation, telecommunications, and rural electrification; and supporting privatization.
- **Financial Sector Development:** Stimulating diversified and strong financial sector development.

- **SME Growth:** Supporting SME's through additional financial support and through SME capacity building and technical support.
- **Agribusiness:** Supporting commercial agriculture and agribusiness.
- **Social Sectors:** Supporting private provision of education and health services.
- **Business Regulatory Environment:** Reducing investment-related bureaucracy and improving investment regulations and promotion.

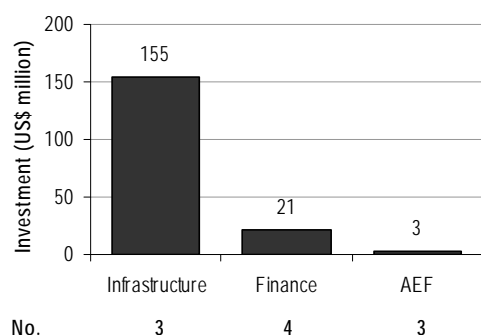
6.4 **Relevance of Objectives.** IFC's objectives were appropriate to country conditions, although more detailed strategies should have been developed in some sectors. The objectives were appropriate for three reasons. First, by 2000, Uganda had made significant progress in establishing a positive environment for private investment and a range of new opportunities were opening up. Second, the government had displayed strong commitment to privatization and attraction of private investors, including in major infrastructure sectors. Third, despite sound progress, Uganda remained a high-risk, frontier country, with broad development needs. The emphasis on infrastructure was particularly relevant. While reforms implemented over the past decade have addressed a range of constraints to doing business, poor infrastructure remains a major impediment to private sector activity. Throughout the period, IFC's areas of focus were fully aligned with government priorities and with the assistance strategies of the WB and other development partners. However, IFC would have benefited from much more considered strategies as to how it proposed to support some of these areas. For example, while supporting agribusiness was identified as an objective, none of IFC's strategic documents provided any insight as to how IFC proposed to achieve this objective. Given the importance of better engaging the large proportion of the population engaged in agriculture in the growth process, vulnerability of the sector to weather and disease risks, market access constraints, and the predominance of small enterprises in the sector, a much more detailed and thought-out strategy to support agribusiness was warranted.

Achievement of IFC's Objectives and Assessment of Outcomes

6.5 **Investment Operations.** Between FY99 and FY08, IFC invested \$178 million in 10 projects mostly in infrastructure (86 percent) and the financial sector (12 percent; see Annex Table 12-1). The investment program was dominated by the \$130 million loan to support construction of the 250 MW Bujagali hydropower project. Development of the project commenced in the mid-1990s but was dropped in 2003 when the first major sponsor withdrew from the project. The second development phase was successfully concluded in 2006, and construction of the project began in 2007. The project is one of the largest private sector financings in SSA and involved the support of numerous financial institutions, including the WB. IFC also made two loans to Celtel Uganda, the second-largest mobile operator in the country, to help expand its network. In the financial sector, four loans were made: two to DFCU bank to support leasing, mortgage, SME development, and women entrepreneurs; a trade finance guarantee of \$2.4 million to Orient Bank; and a \$1 million guarantee to support local currency borrowing by a microfinance institution. In addition, three small investments were made in SMEs through the Africa Enterprise Fund (AEF; see Figure 5). Two of these were in agribusiness, supporting cotton and fish processing plants, and one was in the education sector, supporting a private primary school. IFC also invested in three regional initiatives: an investment with the concession operator of the Uganda-

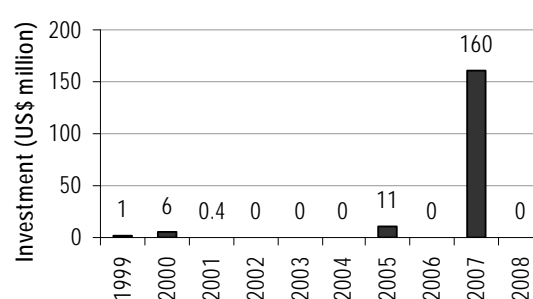
Kenya railroad, a corporate loan to Celtel under which Celtel Uganda received a \$20 million A-loan and a \$11.5 million syndicated loan and a \$10 million equity to SABCO to expand and modernize operations in four African countries, including Uganda.

Figure 5: Investments by Sector, FY99-FY08



Source: IFC Records.

Figure 6: Investments by Year, FY99-FY08



Source: IFC Records.

6.6 IFC's new investments in Uganda were lower than in comparable countries: \$6.7 per capita during the review period, compared with \$7.5 per capita average in SSA and \$8.6 per capita in Kenya and \$11.0 per capita in Ghana. However, if the large Bujagali project is excluded, IFC's investment in Uganda drops to just \$1.7 per capita. In proportion to GDP in the region, IFC's investments in Uganda were high. While Uganda's GDP represents 1.6 percent of SSA's GDP, IFC investments in Uganda comprised 3.9 percent of its SSA investments. Investments in Uganda have been volatile, with, for example, IFC investment being realized in just two of the last seven years (Figure 6). During the 10-year evaluation period, IFC shifted to larger investment projects: average project size increased from \$2.2 million in FY88-98 to \$17 million in FY99-08 (or \$4.8 million, excluding the Bujagali project).

Table 18: New Investments in Uganda Benchmarked against Comparator Countries, FY99-08

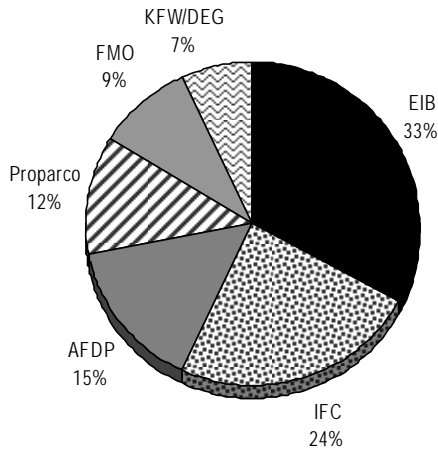
FY99-08	Share of IFC investments/FDI (%)	IFC investments (\$ per capita)	Advisory Services (\$ per capita)
Ghana	13	11.0	0.60
Kenya	63	8.6	0.77
Tanzania	2	2.5	0.19
Uganda	8	6.7	0.21
SSA (Excluding Uganda)	4	7.5	na

Note: Sub-Saharan Africa includes 28 countries with available data.

6.7 IFC held the second-largest share among six development finance institutions (DFIs) in Uganda's private sector. IFC's market share is approximately 24 percent, only below the European Investment Bank (EIB) with 33 percent (Figure 7). During the 10-year evaluation period these institutions invested a total of \$783 million, concentrated in infrastructure and finance. Investments in infrastructure were mainly focused in energy, mobile

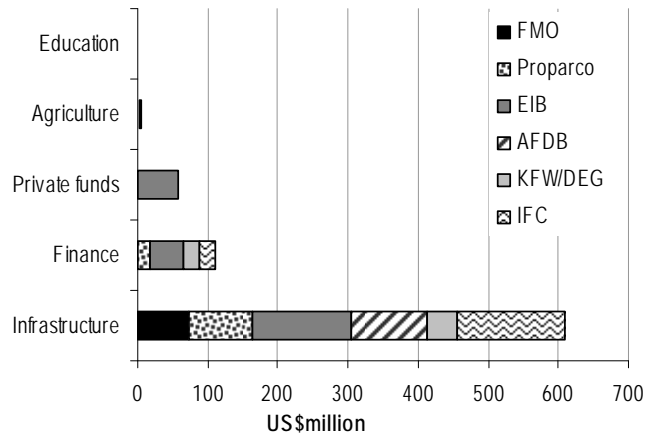
telecommunications, and railways, and investments in the financial sector were concentrated in loans to commercial banks and microfinance institutions (Figure 8).

Figure 7: DFI's by Market Share



Source: IEG-IFC.

Figure 8: DFI's by Sector



Source: IEG-IFC.

6.8 IFC's active portfolio of investments over the past decade became more concentrated in loans rather than equity, and in large infrastructure and financial sector projects. In addition to the 10 new investments, 19 other investments were under supervision during the evaluation period, representing commitments of \$49.6 million. These projects were concentrated in extractive industries (39 percent) and agribusiness (25 percent). Over the past decade, IFC's portfolio in Uganda grew from its eighth largest exposure in SSA in 1999 to its fifth largest in 2008. During the evaluation period, IFC exited from five equity investments and did not make any new ones. As a result, of its total active portfolio of \$228 million at the end of FY08, only 3 percent comprised equity investments, compared to 14 percent in Tanzania and 8 percent in Kenya. By sector, IFC moved from a fairly diversified portfolio comprising oil, gas and mining, food and beverages, agriculture, and manufacturing to a more concentrated portfolio in utilities and finance.

6.9 **Advisory Services Operations.** IFC Advisory Services focused on infrastructure and access to finance. Between FY99 and FY08, IFC approved 16 Advisory Services (AS) operations in Uganda for a total donor funding cost of \$6.4 million (Annex Table 12-4). By business line, activities were predominantly in infrastructure (52 percent) and access to finance (33 percent), with AS in business-enabling environment and value addition to firms accounting for 4 percent of approvals. IFC's volume of AS operations in Uganda was relatively lower than other regional countries: between FY05 and FY08, total IFC AS funding in Uganda was \$0.2 per capita compared to \$0.8 in Kenya and \$0.6 in Ghana.

6.10 Advisory Services in infrastructure supported privatizations, large infrastructure investment projects, and rural access to electricity and communications. IFC undertook substantial AS in the power sector, including advising the government on sector reform and supporting the technical, economic, environmental, and social appraisal of both phases of the Bujagali project. IFC also cofinanced an assessment of the feasibility of attracting private capital flows into the rural electricity sector in FY01 that contributed to policy reforms and

to various initiatives to attract private investment in the sector. An initiative to advise the Rural Electrification Agency on piloting public-private partnerships in rural electrification was also recently approved. A further AS project helped adapt and replicate the Bangladesh Village Phone Program in Uganda to increase rural access to telephone services. In support of the private concession of the Kenya-Uganda railroad, a program was developed to motivate retrenched workers to use their compensation for new business opportunities, create income-generating opportunities along the railway track, promote MSME linkages, develop HIV-AIDS programs, and promote gender opportunities. However, this initiative has been put on hold due to uncertainties with the future of the concession.

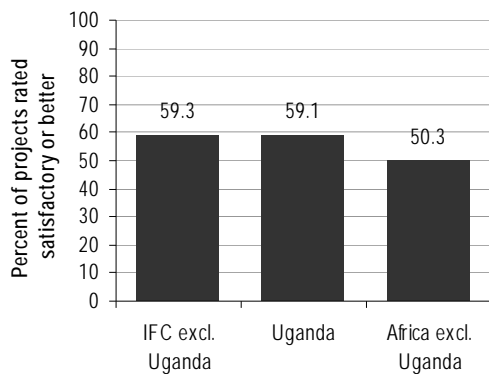
6.11 In the financial sector, IFC Advisory Services supported SME growth, access to finance for women entrepreneurs, and mortgage finance. IFC initiated several programs aimed at increasing access to finance for local SMEs: training for mobile phone dealers to help them reorganize their businesses from a cash to a credit basis that has provided training for 97 SMEs and financial support for 17 SMEs; a program to provide training and financing for potential SME bidders in private water operations; and an SME growth initiative under which 25 SMEs received training and two received financing, but under which the performance of the SME beneficiaries have performed below expectations. In FY07, IFC supported an initiative to promote access to finance for woman entrepreneurs. To date, over 50 woman entrepreneurs have received loans and training in bookkeeping and marketing and several firms are performing exceptionally well. However, inadequate monitoring and evaluation of the program inhibits an assessment of its impact and attribution of success of the firms to the IFC-financed initiative. Also in FY07, a primary mortgage market initiative was established to help address policy and regulatory constraints to mortgage lending as well as strengthen institutional processes and procedures in mortgage lending in local banks. The program is linked to a partial credit guarantee (PCG) provided by IFC for these banks to access lines of credit from the National Social Security Fund (NSSF). As discussed below, however, the PCG has not yet been used by any of the participating banks, and only one bank has received training.

6.12 Several initiatives were undertaken to improve the business enabling environment. Foreign Investment Advisory Service (FIAS) completed an administrative barriers study in FY04 and a gender and growth assessment (CGA) in FY05. The CGA study found that while women in Uganda contribute 50 percent of GDP and represent 39 percent of businesses with registered premises, they receive only 9 percent of credit. The report suggested that Uganda could gain as much as 2 percentage points of GDP growth a year by eliminating gender inequality. The study led to the Gender Entrepreneurship initiative. In FY07, IFC supported launch of the Uganda Investment Authority's Investor Outreach Program that encourages foreign direct investment to support expansion of exports to regional and broader global markets. To date, the program has led to the elimination/streamlining of five foreign investment procedures, although it has suffered from a range of managerial and organizational issues that have undermined effectiveness.

6.13 **Investment Outcomes.** Investment outcomes of IFC's portfolio in Uganda were on par with IFC-wide results, although profitability was lower. Fifty-nine percent of the 22 mature projects had satisfactory or better investment outcomes, compared to 60 percent IFC-

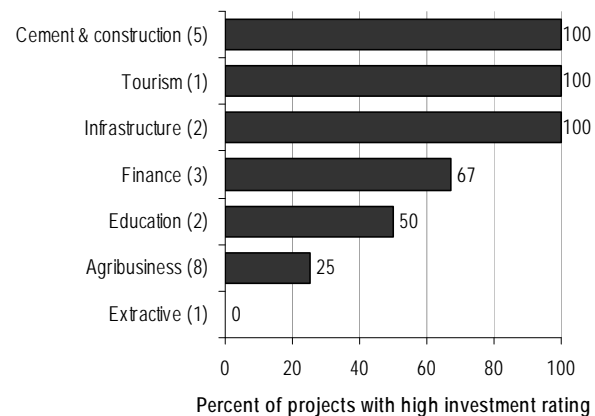
wide and 58.8 percent in SSA excluding Uganda (Figure 9). However, profitability in Uganda was lower than in the rest of SSA and IFC: projects registered a year averaged a profitability rate of 5.1 percent, well below the 9.6 percent in SSA and 6.9 percent of IFC overall. The lower profitability in Uganda is mostly due to the failure of one large equity investment. IFC's 22 mature investments during the period reviewed registered an estimated gross profit contribution before corporate overhead of about \$9.3 million and net result of approximately \$3.5 million after overheads.

Figure 9: Investment Success Results Comparison



Note: Based on 668 matured investment operations active over 1999-08.
Source: IEG-IFC.

Figure 10: Investment Success Results by Sector



Note: Based on 29 matured investment operations active over 1999-08.
Source: IEG-IFC.

6.14 Positive investment outcomes were seen in infrastructure and finance, although less success was seen in agribusiness. The two evaluated investments in telecom performed satisfactorily. Following early operational difficulties, one telecom operator embarked on a turnaround program, upgraded its network, and revitalized its brand name. As a result, its market share increased significantly. IFC's investments in the sector exceeded financial benchmarks of performance. Projects in the financial sector were generally successful. IFC made an investment in Uganda's first leasing company, which was subsequently acquired by a local bank. The project taught numerous lessons, including the importance of having committed technical partners (foreign and local) in underdeveloped markets to bring both funding and expertise. All five projects in cement and construction, mainly in the hotel business and commercial office buildings, performed satisfactorily. Good sponsor and management expertise were the main drivers of positive results. However, six out of eight agribusiness-related projects performed unsatisfactorily. These weak outcomes were attributable to poor sponsor quality and corporate governance in addition to a range of sector-related constraints.

IFC's Contribution to Private Sector Development

6.15 **Privatization and Private Investment Infrastructure.** IFC helped realize significant regulatory and institutional reforms in the power sector. IFC was engaged in the power

sector throughout the period reviewed, through (i) efforts to develop both phases of the Bujagali private power generation project as well as smaller hydropower projects; (ii) advice on regulatory and institutional reform in the power sector and privatization of the electricity distribution system; and (iii) efforts to expand rural access to electricity. Since 1999, significant changes have been made in Uganda's power sector, with most of the institutional and regulatory reforms recommended by IFC and the WB fully implemented. The 1999 Electricity Act established the basis for an enabling environment for private providers in the sector, including rural electrification. In 2000, an independent Electricity Regulatory Authority was created and the state-owned power company was subsequently unbundled into separate transmission, distribution, and generation companies. In 2003, a private power operator won a concession for the main public power generation plants, and in 2005, a commercial operator was awarded a concession to operate the main electricity distribution network.

6.16 Despite these efforts, the desired results in the energy sector have yet to be seen: just 5 percent of the population has access to electricity; losses through the distribution system remain high at over 35 percent; the cost of electricity in Uganda is significantly higher than other countries in the region; and the government continues to make substantial subsidies of some \$50 million a year to the energy sector. The lack of increased access to affordable electricity and reduction of system losses can be partly attributed to inadequate levels of power supply in Uganda. Total installed capacity is 360 MW (50 MW thermal and 310 MW hydropower) and the 2005/06 drought reduced hydropower generation to about 265 MW. Meanwhile, peak demand is estimated around 380 MW, resulting in a shortfall of up to 145 MW. To compensate for this, the government installed high-cost emergency thermal power capacity that significantly raised the retail tariffs from less than 10 U.S. cents per kilowatt hour in 2004 to over 20 U.S. cents per kilowatt hour in 2008. The higher consumer prices that resulted raised the level of illegal consumption and system losses reverted back to levels that existed before the distribution concession. The output from Bujagali, when available in 2011, is likely to reduce significantly the demand-supply gap in the country. IFC has also advised the government informally on the privatization of the electricity distribution system (UMEME), which made Uganda the first African country with a private unbundled distribution company. There is some concern that the concession agreement between the government and the operator of the distribution company, which resulted in a private monopoly, could have better incorporated incentives to reduce system losses and expand access to the main grid.

6.17 Efforts to mobilize private investments for rural electrification have seen limited success due in part to lack of public investment in distribution infrastructure outside the major urban areas. To address the lack of access to electricity, in 2002, the government established the Energy for Rural Transformation (ERT) program, supported by both the WB and IFC. The program sought to attract private investors to develop small hydroelectric plants to supply power to either independent distribution networks or to the main grid. To date, despite the range of initiatives and sector reforms, private sector presence in rural electrification is minimal. Lack of public investment in distribution infrastructure outside the major urban area has been a constraint. One off-grid public-private partnership project has been implemented in the West Nile region that generates about 3.5 MW of power.

6.18 IFC's investments and Advisory Services helped restructure the telecommunications sector and expand access to mobile communications. In 1994, IFC invested in the first private company licensed to provide mobile telecommunications in Uganda. At the time, the telecom system in Uganda comprised some 23,000 fixed lines provided by the state telephone company. IFC helped the sponsor structure the project and finance the initial build-up and subsequent expansion of the mobile network. Over the years, the company faced challenges, including an effective mass-market strategy from a new competitor in 1998 that sharply reduced its market share, managerial difficulties, and significant investment costs. The company eventually emerged as a well managed and profitable operation, and has been a key player in expanding access to phone services in Uganda. Its subscriber base increased from 34,000 in 2001 to 1.4 million in 2007 and it currently has about 35 percent of the mobile market. IFC also played a significant advisory role in restructuring the sector. It was the lead advisor to the government on two transactions: Uganda Telecom Privatization (UTL) and the sale of a Second National Operator's license (SNO). The advisory contract was signed in 1995 and the financial closing of the sale of UTL took place exactly five years later in 2000. Both transactions incurred significant IFC staff resources at a high cost. However, the work paid off given that in the end this sector has become the most promising in Uganda. In rural areas, IFC helped adapt and replicate Bangladesh's successful Village Phone Operators program that helped increase access to phone services in isolated communities by training and providing mobile telephone equipment to local retailers. Overall, Uganda's mobile penetration has increased from 0.25 percent in 1999 to 9 percent in 2007. While this is a significant improvement, the penetration remains relatively low compared to an average penetration rate of 28 percent in Africa, 10 percent in Kenya, and 16 percent in Tanzania. The lower penetration rate in Uganda in part reflects its low per capita income as well as a relatively high 30 percent government tax on mobile phone services. Award of two further private mobile operator licenses in 2007 is making the market more competitive and is expected to help increase penetration.

6.19 While IFC helped achieve the private concession of the Kenya-Uganda railway, its contribution to private sector development has been below expectations. IFC was engaged in this transaction since 1994 when governments of Uganda and Kenya decided to have a joint concession. Since then, IFC (the lead advisor to the Government of Kenya) and CANARAIL (the lead advisor to the Government of Uganda) worked jointly on the competitive bidding process for the concession of the Kenya-Uganda railroad. In 2005, two similar concessions were tendered in Kenya and Uganda and the winning bidder for both was Rift Valleys Railways, a South African-led consortium. Shortly after the concession was awarded, two partners of the consortium withdrew and, with some time pressure from the both governments to conclude the transaction, it was determined to proceed with the contract despite the changes in the sponsoring consortium. In the two years since the concession was awarded, the objective to reverse the significant deterioration in the operation has not been achieved and evidence suggests that the performance of the railway has further deteriorated. Contributing factors include: (i) railway equipment was found to be worse than expected; (ii) financial difficulties of the sponsor; and (iii) damages to the line by protesters during the Kenyan elections. Since the first quarter of 2008, no concession fees due to the government have been paid. In an effort to support the turnaround of the operation, IFC has encouraged the shareholders to bring in other partners with more capital and managerial resources. In August 2008, the shareholders appointed a new CEO and chairman of the board to lead the

turnaround of the company. With increasing public pressure, both governments have expressed serious concerns about the future of the concession.

6.20 Financial Sector Development. IFC played a useful institution-building role and helped introduce new products in the financial sector. IFC has been engaged in the financial sector in Uganda since 1984, through a series of investments in a privatized development finance corporation. Although DFCU has declined from being the largest financial institution in Uganda to the fourth largest, it has transformed from an unviable development finance company into a diversified and profitable commercial bank and the leading provider of long-term finance. Through several investments, representation on the board of directors, and technical assistance, IFC supported this transformation, emphasizing prudential financial management, expanding reach to SMEs, developing staff skills, and introducing new financial products. IFC contributions in the financial sector through the local bank include: pioneering of the leasing industry in Uganda, which while still in its infancy, has grown more than tenfold since 2001 and now accounts for 5 percent of credit to the private sector; introduction of a mortgage program; introduction of a trade finance program; and establishment of a pilot program targeting women's access to finance that has catalyzed similar programs in several other Ugandan banks. IFC's Advisory Services contributed to development of Uganda's leasing legislation, which improved leasing business climate. Overall, the financial sector has seen significant improvements over the past decade. Credit to the private sector has expanded from 5.6 percent of GDP in 1998 to 9.2 in 2007; the banking sector is well capitalized; and the proportion of nonperforming loans has been reduced from 10 percent in 2000 to 2 percent in 2006. However, the financial sector has yet to improve access by SMEs and financial intermediation ratios remain low relative to Sub-Saharan Africa.

6.21 Limited success was seen in increasing term lending for SMEs and in developing housing finance. Despite progress in the banking sector, access to long-term lending remains a constraint to doing business. Even among the leading providers of long-term finance in Uganda, term financing portfolio (of over 5 year loans) is limited to about 3-5 percent of total assets. To some extent, a potential mismatch between term assets and liabilities (6 percent of total liabilities are over 5 years) inhibits term lending. Longer-term loans also represent a risk that is unwarranted from the bank's perspective. High-yielding risk-free treasury bills remain an attractive use of funds and account for a significant portion of the total assets of leading financial institutions. Financial services are concentrated in the capital city. DFCU, for example, has only limited reach outside Kampala, with just 10 branches (out of 187 bank branches in the country). Reform in the pension sector enabling NSSF to invest locally is an important step in the direction of increasing bank access to long-term funding. However, NSSF continues to finance mostly government projects. Following sustained efforts since 2002, IFC developed a project in the mortgage sector in 2007. The PCG provided support for loans of up to 12 years from NSSF to three participating banks engaged in mortgage lending, but it has not been used by any of the banks. One bank has a significant low-cost deposit base and finds no reason to access the NSSF funds. The other two banks have found that interest on the NSSF loan plus the PCG fee raises the costs of funds to levels that are uncompetitive in the current market. Overall, there continues to be very limited availability of housing finance. The stock of housing finance in Uganda is no more than 1 percent of GDP compared to 18 percent in Namibia and 20 percent in South Africa. The government estimates a total housing shortfall of some 1.9 million housing units.

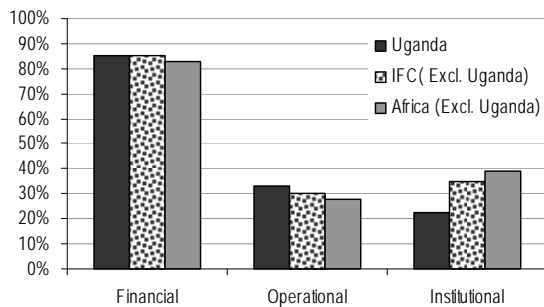
6.22 Support for SMEs and Agribusiness. While a range of direct small investments helped meet the demand for long-term finance among SMEs in the late 1990s, IFC's engagement in agribusiness after 2001 was minimal. During the decade, IFC's only active projects in agribusiness and manufacturing were investments made through the AEF. The AEF was established in 1988 to make direct investments in SMEs due to the failure of local financial markets in providing long-term funding for SME projects. Investments were made in agribusiness, construction, tourism, and education that averaged \$0.8 million. Of the 15 investments made, only 3 were approved during the evaluation period. The failure rate of these projects was relatively high, although several succeeded and continue to be viable businesses. For example, a fisheries company financed by AEF, had grown into a profitable operation producing 5,000 tons of export fish a year, employing 300 workers, and realizing an annual turnover of \$11 million. A 2001 IEG evaluation of the AEF found that while half of the AEF-evaluated projects failed, 90 percent had positive development outcomes in terms of job creation, forward and backward linkages, skills transfer, and demonstration effects. Since the lapse in use of the AEF, however, IFC has been unable to make small investments that reach the manufacturing and service sectors. Within the World Bank Group approach to agriculture, IFC's intervention focused on supporting longer-term lending in the formal banking sector. As discussed above, however, progress in this area has been limited and the risk associated with long-term lending has inhibited expansion of the banking sector into these areas. Overall, growth in agro-processing has been lacking and remains an important missing link between small farmers and markets. To a large extent, therefore, the market failure that existed in 1988 and spurred the creation of the AEF continues to exist. The existence of this gap should not be an argument for resuscitating AEF, but rather for the continued need for IFC to experiment with different methods for reaching small enterprises given the long time it takes to change banking practices.

6.23 Support for Private Provision of Education and Health Services. IFC made an important early contribution to Uganda's private education sector, which expanded rapidly in the 2000s and has attracted students from across the region. While WB support was oriented toward institutional strengthening, IFC's focus was on the provision of infrastructure in primary and secondary education. During this period, IFC made two investments in private primary and secondary education through the AEF in 1997 and 2001. Similar to other AEF investments these projects experienced some difficulties, but following restructuring and changes in ownership, both schools emerged as well managed and respected private secondary schools in the 2000s. Rainbow International School, for example, is currently one of the largest international schools in Uganda, with 700 students from all over the region. IFC's role in appraising and financing the projects helped reduce perceptions of the private education sector as high risk and had a demonstration effect that supported expansion of the sector. Overall the private primary and secondary sector has developed significantly and Uganda has established itself as a regional hub for secondary education. As of 2006, the private sector owned about 47 percent of the 2,286 schools registered by the Ministry of Education. The number of secondary schools has increased from about 50 in 1999 to 250 in 2008 and student enrollment in private schools accounts for half of total school enrollment.

IFC Additionality in Uganda

6.24 IFC’s identified additionality in Uganda has been mostly financial in nature. Financial additionality was identified in 85 percent of the projects (Figure 11), which was comparable to IFC-wide (85 percent) and other Sub-Saharan Africa countries (83 percent). Within this type of additionality, better financial terms (79 percent) was the most frequently achieved, followed by enhancing investor’s confidence (57 percent; see Figure 12). The provision of long-term finance was particularly critical to mitigate the risk in small projects with little or no private sector presence. In contrast, instances of operational and institutional additionality were identified in approximately a third of the projects (33 percent operational and 30 percent institutional). IFC provided operational additionality mostly through specialist assistance in new business development where it has expertise and competitive advantage over local sponsors (that is, trade finance, mortgage, leasing, and gender growth). Instances of institutional additionality were focused in assisting companies to improve environmental and social standards and assisting governments to improve laws and regulations in the insurance, leasing, mortgage, and telecom sectors. However, the insurance leasing and mortgage sectors remain at incipient stages.

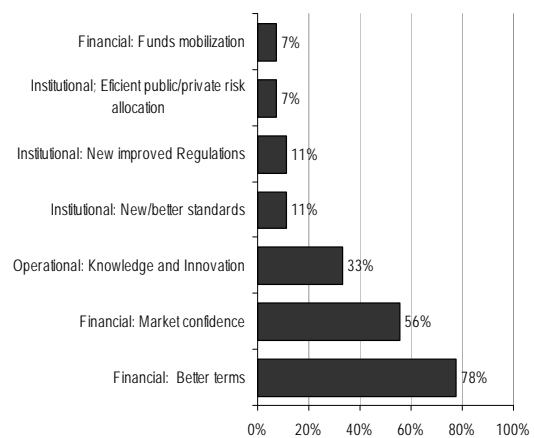
Figure 11: Additionality in Uganda versus Africa and IFC -Wide



Note: Based on 668 mature investment operations active over 1999-08.

Source: IEG-IFC.

Figure 12: Types of Additionality in Uganda



Note: Based on 29 matured investment operations active over 1999-08.

Source: IEG-IFC.

Box 4. Examples of Additionality Identified in Uganda's Operations

Financial Additionality

- IFC's involvement allowed small, high-risk AEF-funded projects in agribusiness, construction, and education sectors to obtain long-term foreign currency financing at reasonable rates at a time when it was almost impossible to obtain financing in these sectors.
- IFC's first private sector investment in the flower industry and education sectors helped bring confidence to the market and encouraged other private sector institutions that would not have otherwise invested.

Financial and Nonfinancial Additionalities

- IFC provided long-term and equity financing to mobile telecom services at a time when it was almost impossible to obtain financing. IFC was also the first to renew financing under a new and untested telecom regulatory environment, providing comfort to the market. Within this new regulatory environment, IFC used its leverage to improve the regulation of mobile licensing agreements.
- IFC's advisory role, relationship with the government, knowledge of the power sector in Uganda, and capacity for substantial investment placed it in a position to help structure the project; comfort investors; enhance economic, social, and environmental standards; and act as an honest broker between the government and the project sponsors.

Assessment of IFC Performance

6.25 The IFC had a positive overall experience in Uganda over the past decade, although efforts in some sectors were more modest than expected. As expressed in IFC's strategy in documents during the decade, IFC played a substantial role in infrastructure development through Advisory Services and investments in the telecommunications, power, and transport sectors. Significant institutional and regulatory reforms took place in each of these sectors and while results in some areas have yet to be seen, the prospects of attaining development objectives are significantly improved. In the financial sector, even though IFC invested mainly in one long-standing client, it promoted largely underdeveloped areas that were critical to improving access to finance, such as leasing, mortgage finance, women's access to finance, and SME growth. IFC's investments and Advisory Services in agribusiness and education, although small and intermittent, have helped to create viable businesses and catalyze export-oriented activities.

6.26 IFC's positive experience in Uganda can be traced to several success factors. Among these are: strong government commitment to policy and institutional reform and to creating an environment conducive to private sector activity; sustained involvement in priority sectors such as energy, telecom, and financial services; close and well-established country relations, in part because some of the same staff have continued to work on Uganda for substantial periods.

6.27 IFC did well to persist with the complex Bujagali hydropower project. In retrospect, eventual financing of the project was critical to consolidating progress in the power sector.

IFC did well to remain engaged and help realize the project's eventual financing, despite its complexity, risk, and withdrawal of the initial project sponsor. Absence of the second phase of the Bujagali project would have meant increasing pressure to reverse institutional and regulatory reforms and a negative message of the effectiveness of power sector reforms across the region. However, given the early stage of the project, it remains unclear when the government's subsidy of expensive thermal power generation will end.

6.28 While partnering with IFC is seen to bring broad benefits, there is a good degree of frustration with slow and cumbersome procedures associated with IFC. IEG interviews indicate that IFC is perceived as providing high-quality advice and as an enabler for difficult transactions and that association with IFC's name can provide significant advantages. However, there is frustration among both clients and government counterparts with the slow pace of project development, cumbersome procedures, and extensive documentation. In mortgage finance, for example, although initial discussions were begun in 2004, it was not until 2007 that a program was developed, in part due to reasons internal to IFC. Staff turnover has also caused gaps and delays in the development of projects, as occurred with IFC's efforts to support rural electrification and develop mini-hydropower projects. A \$1 million IFC PCG to support a microfinance institution's access to local currency finance took two years to prepare and the cost of the guarantee fee plus the loan spread made the funds very expensive for the sponsor and the facility has hardly been used. The sponsor, however, bore these costs in order to gain from the perceived benefits of being associated with IFC. In another case, a client reported that IFC's processing requirements delayed the company's expansion plans by 6 months. In the case of IFC's PCG to NSSF for on-lending to three banks, concerns were raised about the need for a guarantee document more than 150 pages long as well as lengthy legal reviews and processes.

6.29 Lack of a local country manager since 2002 seems to have reduced IFC's effectiveness. In 2000, IFC installed a country manager in Uganda mainly to develop AEF business, but when AEF was closed down, a strategic decision was made to move staff into the regional offices and the country manager was sent to Nairobi. At present, IFC directs its business development and portfolio operations from Nairobi and its AS operations from Johannesburg, with some AS portfolio staff located in Nairobi. Other programs, such as gender initiatives and infrastructure investments, are managed from the IFC office in Washington. While IFC has been able to establish and maintain good relations with both clients and government counterparts, according to staff, government, and client interviews, an IFC presence on the ground had clear advantages. A Kampala-based country manager facilitated delivery of consistent messages, enabled IFC to take the lead in several sectors, provided a convenient interface for clients, and enabled more timely IFC responses. Absence of a central country coordinator has also led to some confusion between linked investment and AS, such as in mortgage finance initiative where multiple responsible staff from different parts of IFC were at times unsure about the activities of others. In one instance, teams from advisory and investment services working in the same sector unknowingly fielded missions at the same time, causing some confusion for clients. In other cases, observers point to missed opportunities due to a lack of a local presence. For example, while there was some interest in engaging IFC in an airport rehabilitation project, lack of a timely response may have precluded IFC involvement.

Lessons

- Reaching small businesses in frontier markets, such as Uganda, which has an incipient private sector and an underdeveloped financial system, remains a challenge. Financial intermediaries in Uganda are not effectively providing long-term lending to SMEs. Since the AEF program was scaled down, IFC has been unsuccessful in reaching smaller, riskier projects. IEG's 2001 evaluation of AEF concluded that while IFC should phase out its direct financing of SMEs in more developed markets, it should maintain its reach in less developed frontier markets, such as Uganda. For IFC, exploring new ways of reaching SMEs seems appropriate, particularly when changes in IFC's business model, such as substantially higher funding for AS programs, decentralization, and higher local presence, are likely to enhance the prospects of developing new and more successful approaches to small investments.
- Remaining engaged as an advisor in privatization transactions for a period after completion of the initial transaction may reduce the risks of bad outcomes. Privatization in and of itself does not always ensure success, notably in those cases where privatization results in a private monopoly. In particular, the quality of the concession agreement between the government and the private entity is critical to ensuring adequate results. In such transactions, remaining engaged as an impartial advisor for a period after the initial transaction is completed in order to help adjust contractual agreements is likely to ensure optimal outcomes.
- Consideration should be given to establishing a field presence in smaller, high-risk countries that have undertaken significant reforms and established favorable business environments. Uganda has undertaken a broad range of reforms that have significantly increased opportunities for the private sector. IFC established a country manager in Uganda in 2000-02 that provided clear advantages, such as delivering consistent messages, facilitating a lead IFC role in several sectors, and providing a convenient interface for clients. Furthermore, absence of a local country manager will tend to undermine coordination of various IFC activities, resulting in missed opportunities. Establishing a field presence in some small, well-performing countries such as Uganda, where reforms have substantially increased, could expand the opportunities for IFC engagement.
- Increasing south-south investment flows present new opportunities for IFC. There is evidence of significant growth in FDI from investors in developing countries such as China, India, and the Middle East. This enhances IFC's opportunities to support such investments, direct investment to sectors with high development impact, and strengthen social and environmental aspects of investments. To seize these opportunities, IFC will require coordinated business development efforts with other regional departments in IFC as well as a strong local presence in both origination and destination markets.

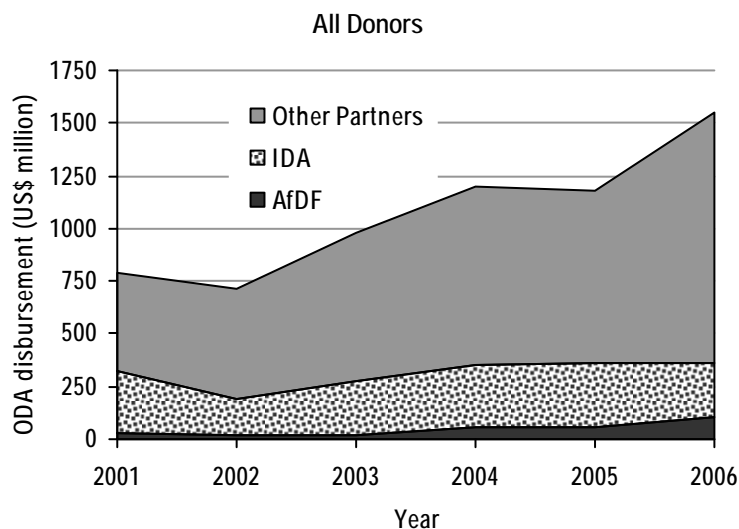
7. Harmonization and Partnership

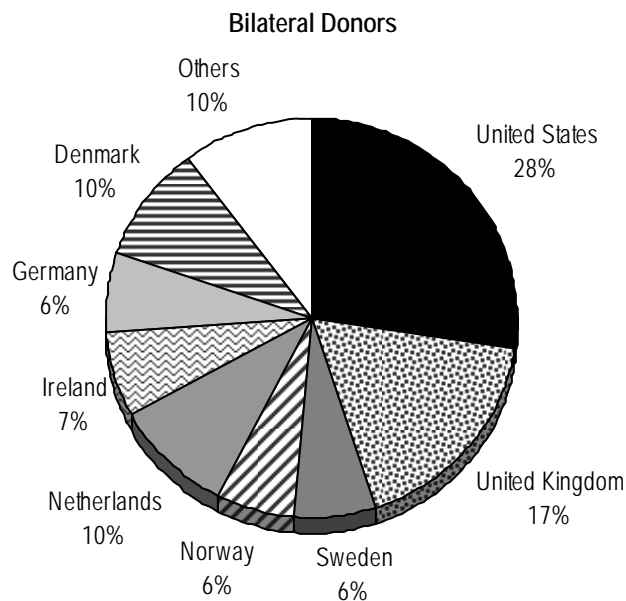
Background

7.1 Uganda is a leader in promoting the principles of the 2005 Paris Declaration of Donor Harmonization and Aid Effectiveness. This has been a prominent factor in its success for mobilizing substantial development aid flows. President Museveni's government established generally good relations with the development community and helped to pioneer a number of development initiatives, including the Poverty Reduction Strategy Paper (PRSP), HIPC, and donor alignment and harmonization.

7.2 Uganda has also become a highly aid-dependent country and has numerous development partners. According to OECD-DAC data, net official development assistance (ODA) disbursement for Uganda increased from \$790 million in 2001 to \$1,551 million in 2006, resulting in an average ODA-to-gross national income (GNI) ratio of about 15 percent per year (Figure 14 and Annex A, Table 3).¹ Over 42 development partners (DPs) are providing assistance in diverse sectors, about 26 bilateral and about 16 multilateral (Annex A, Table 10). IDA is the single largest DP, providing about 25 percent of the total ODA disbursements in 2001-06. During the same period, the AfDB accounted for about 4.4 percent of the ODA disbursements. About 60 percent is provided by bilateral DPs, of which the United States, the United Kingdom, the Netherlands, Denmark, Ireland, Sweden, and Norway are the leaders. The WB and the AfDB together account for about 70 percent of total multilateral flows.

Figure 13: Sources of External Development Assistance





Source: OECD-DAC (Annex Table 3).

7.3 Although not explicitly stated in their strategy documents, donor harmonization and alignment were important drivers of WB and AfDB support to Uganda. Harmonization and alignment are needed because of the mix of aid delivery mechanisms and variety of approaches among DPs. Some, such as Ireland and the United Kingdom, have moved predominantly toward budget support, while others, such as Germany, provide only a small portion of their ODA as budget support. The WB has shifted emphasis toward budget support but still provides almost half of its support through projects. The AfDB provided one round of budget support during the period reviewed through the PRSL (in 2002). However, because of restrictions on procurement of items from non-AfDB member countries, the AfDB was unable to participate in SWAs and continued to provide almost all its support through projects. The different resource endowments of the WB and AfDB also influenced the relative roles in the donor harmonization and partnership process.

Harmonization Mechanism in Uganda

7.4 The aid harmonization mechanism in Uganda – specifically, the development and use of common procurement, financial management, and other fiduciary procedures among DPs – was driven by the government’s realization that development assistance needed to be oriented toward implementation of the first PEAP in 1997. The second half of the 1990s and early 2000s saw substantial success in the management of the harmonization process, such as the introduction of general budget support (GBS), SWAs, the PAF, and the development of the Partnership Principles in the context of the PEAP (Figure 14):

- Uganda was a pioneer in GBS,² which currently accounts for half of its ODA and involves a wide range of donors and a large number of instruments. The move toward GBS was initiated in the late 1990s with the structural adjustment loans (SALs) and debt relief form of programmed assistance. Following reforms to strengthen the planning and budget system, which underpinned the move to sectorwide planning

and coordination in key sectors (SWAp) and the development of the PEAP the need for budget support became imperative. The process was further strengthened by the link between HIPC debt relief and the creation of the PAF, which tracked resources targeted at poverty reduction programs.³

- The SWAp were used to match donor and budget resources with sector strategies. The MTEF and the sector working group (SWG) were used to facilitate the process. The process also promoted alignment, which involved DPs subscribing to or adopting the country’s own strategy or framework (to be discussed below).
- The PAF emerged following the HIPC debt relief in 1998 to demonstrate to international and domestic stakeholders that savings from debt relief were being channeled as additional resources to priority PEAP sectors.

7.5 The Partnership Principles were introduced in 2001 with the second iteration of the PEAP. They clearly specified the sequence of the government’s preferred form of aid assistance, that is: GBS that is not earmarked, followed by budget support earmarked to the PAF, then sector budget support, and finally project support. DPs undertook to work toward full harmonization.⁴

Figure 14: Key Stages of Aid Harmonization in Uganda

	1997	1999	2000	2001	2002	2003	2004	2005	2006
GOVERNMENT	First PEAP	Second PEAP		PEAP Progress Report	PEAP Progress Report	DPs sign off to PEAP Partnership Principles	March: PEAP draft November: Final PEAP		Initiation of National Development Plan
DEVELOPMENT PARTNERS	SAL/SWAp	Education SWAp Donor coordination around local government development	Health SWAp Enhanced HIPC debt relief earmarked support through the poverty Action Fund (PAF)	PRSC-1	PRSC-2	PRSC-3	PRSC-4 Joint country integrated fiduciary assessment (7 DPs) July: UJAS partner workshop	PRSC-5 Final UJAS	PRSC-6 November: UJAS draft

Source: Derived from World Bank (2005a).

7.6 In supporting the government's aid harmonization process, donors (including the WB and AfDB) adopted the GBS as part of their aid delivery instruments, and participated in the donor alignment process, including Local Development Partners' Group Meetings, UJAS, and the Division of Labor exercise. The WB and AfDB played leading roles through bilateral collaboration and the use of PRSC/PRSL.

WB and AfDB Support for Harmonization

7.7 **WB-AfDB Collaboration:** The participation of the AfDB and WB in the harmonization process was had its foundation in their partnership framework, which derived from efforts in the late 1990s to enhance collaboration in individual countries.⁵ The two banks cooperated through the joint sector working groups and participated in program identification as well as in enabling the government to monitor the PEAP's implementation and public expenditures, especially those for reducing poverty. Most of their programs were parallel, especially with respect to education, agriculture, power, and water and sanitation, but with well-defined lines of influence, such as concentration of activities in different districts. The banks participated in the PAF, which was instrumental in improving budget management, accountability of public expenditures, and in the decision of DPs to adopt the GBS.

7.8 But the impact of the collaboration has had modest results, mainly because of challenges well known to the two banks. First, the agreed areas of cooperation are too broad relative to the resources available between the two banks. The WB is larger, has greater financial leverage, is more decentralized and therefore could vest decision-making at lower levels. Second, the effort to reduce mission overload (by promoting joint missions) required increased transaction costs, especially for planning, simplifying reporting, and harmonizing procurement practices. Third, staff incentive for effective partnership needed improvement, especially for the AfDB, which is at a relatively early stage of decentralization. Fourth, the partnership has been overtaken by the UJAS—the collaboration between the two banks is now part of a broader effort to align DPs behind country strategies and to harmonize approaches within country systems.

7.9 **PRSC/PRSL and the GBS Mechanism.** During the review period, GBS was used to deliver an important share of the commitments of both banks; a substantial share of the WB through six PRSCs and a moderate share for the AfDB through the PRSL and earmarked sector budget support. The PRSCs/PRSL facilitated joint discussions between the WB, AfDB, and other DPs with the government and made it possible for DPs collectively to link their disbursements to the fulfillment of prior actions that were agreed in the PEAP results matrix. However, under the PRSCs and AfDB's single PRSL, the conditions and benchmarks pertained only to the banks individually. This implied that other DPs did not commit to set additional conditions for their assistance.

7.10 The PRSCs/PRSL (and GBS in general) raise issues with respect to their design, limitations, and expected impacts. The PRSC/PRSL was designed to replace the SWAp but not to substitute for investment lending. However, no specific attempt is made to complement PRSCs with parallel sector investment programs. Dialogue and conditionality

(usually referred to as triggers in the WB's operations) represented key inputs in design. A special feature is the use of performance criteria to monitor policy reform effort.

7.11 But the instrument has a number of design limitations:

- In the case of the PRSC/PRSL, no direct technical assistance and capacity-building programs were developed parallel to them. Ongoing investment operations and analytic activities provided opportunities for such support.
- No clear guideline or justification for determining the size of the PRSC/PRSL was provided. It is also not clear what criteria were used for choosing single rather than multiple-tranche disbursements and their associated timing, although the current trend is a move to single-tranche disbursement.
- Fiduciary compliance is built into the budget system and PRSC/PRSL does not provide any additional improved mechanism for accountability or budget discipline. Hence, issues of budget discipline continue to plague the Ugandan authorities.
- The use of the results matrix as a performance framework has tended to create contradictory incentives. The GOU sought to establish modest performance targets (especially with respect to governance), while the WB and the AfDB pushed for more ambitious targets, thus leading to contentious dialogue that has given much attention to the details of assessment process, often at the expense of open discussion of strategic problems and their potential solutions.

7.12 Overall, the PRSCs (and to a limited extent, the PRSL) had an impact in three areas. First, the PRSC/PRSL facilitated policy dialogue by promoting country ownership and responsibility for the policy formulation and implementation process, as well as in the quality of prioritization, target setting, and monitoring. Second, while there is no single area where the PRSC or the PRSL could be said to have been a decisive influence, they nevertheless played a facilitating role in resolving broad-based development initiatives in governance, expansion in poverty-reducing expenditures, and service delivery, which could not have happened through another mode of support. Other modalities cannot provide resources in such fungible form and allow policy dialogue that covers important cross-cutting issues as well as sectoral questions. Thus, compared to other modes of external flow to Uganda, the PRSC/PRSL constituted a lower level of transactions costs. Finally, the contribution of the PRSC/PRSL (and GBS in general) toward the harmonization and alignment of aid process has been only modest, mainly because of the different approaches by DPs in negotiating and assessing policy compliance, especially with respect to governance issues. The joint budget support mechanism has not yet been put in place.

7.13 **Collaboration with the IMF:** Both banks collaborated with the IMF, the WB somewhat more so. The collaboration between the WB and the IMF was within the mandate of the two institutions and involved support for the government's effort to implement its PEAP. The IMF provided its support through the Poverty Reduction and Growth Facility (PRGF)⁶ and concentrated on macroeconomic and financial sector issues, focusing on short- and medium-term macroeconomic stability, which fall under the PEAP's growth pillar. The structural program of the IMF addressed the areas of tax administration, budget management, monitoring of local government finances, financial sector regulations, and improvements to national accounts and statistics.

7.14 The collaboration between the WB and the IMF was effective in five areas. It assisted the government in the revision and implementation of its poverty reduction strategy through the preparation of joint assessment of the PRSP and an annual PRSP progress report. It provided support on HIPC-related issues (including MDRI) through joint preparation and update of debt sustainability analysis for Uganda during 2002 and 2007. Along with the AfDB and other DPs, the collaboration worked closely to provide government with the support needed for institutional and policy reform in public expenditure management. The IMF led the dialogue on macroeconomic policy (including monetary and fiscal issues), while the WB focused on strategic expenditure allocation and efficiency of public expenditures through the work on PERs and PRSCs and the joint preparation an annual report on HIPC tracking of poverty-reducing spending. A joint WB-IMF Financial Sector Assessment was conducted in 2001. Its conclusions led to support for the strengthening of the insurance sector, reform of the pension system, and development of the legal and regulatory framework for microfinance (supported by the PRGF and the PRSC series of both institutions). Finally, the WB and IMF provided technical support on trade reforms in the context of the East African Community at the regional level.

Donor Alignment and the UJAS

7.15 Alignment behind a common set of priorities was facilitated by the government's first PEAP in 1997, which encouraged the development of SWAp arrangements and the introduction of GBS. Further progress in aligning DPs' support around a common framework took place when a group of seven DPs, including the WB and the AfDB, completed the UJAS in 2005. The UJAS constituted the response from the DPs to GOU's revised PEAP in 2004 by advancing the principles of the 2005 Paris Declaration on Aid Effectiveness. The strategy was prepared in 2005 by the WB and AfDB and a group of five DPs: the United Kingdom's Department of International Development (DFID), Germany, the Netherlands, Norway, and Sweden.⁷ It constituted the core strategy for the group for the period 2005-09, and was approved by the authorities of member partners. The UJAS was approved by the board of the WB in January 2006 and of the AfDB on December 19, 2005. The UJAS proposed (a) a common strategic direction for the support of the group for the implementation of Uganda's PEAP; (b) a harmonized assessment framework for determining levels of finance in an effort to improve the predictability of aid; and (c) a support for monitoring and evaluation (M&E) in line with the implementation of the PEAP.

7.16 **Relevance.** UJAS has three main advantages. First, key government officials note that it has helped reduce transactions cost on government by limiting the number of direct interactions between the government and individual agencies on issues common to the UJAS membership. But it has limited effect on the time spent by the government in hosting and supervising missions for each project, which often do not suit the government's timetable. While the common approach to dialogue between the GOU and its partners has had saved time, some government officials have pointed out that the process has nevertheless been overwhelming for government officials who have to deal with the combined and aggressive questioning by DPs. It has similarly constituted a heavy transactions cost on UJAS partners as the path to consensus was complex, and producing a joint strategy took much more time than preparing a single agency assistance strategy.⁸

Ongoing effort of the UJAS members to put in place a set of Partnership Principles will likely help to resolve their policy differences.

7.17 Second, the UJAS partnership is aimed at eliminating the parallel program implementing systems that are currently in operation (that is, promote harmonization) by adopting the country's own systems, thereby helping build government capacity. Unfortunately, there has been only modest progress so far as country capacity for dealing with fiduciary issues remains a major concern for the UJAS partners. The use of country systems poses a considerable dilemma for many partners and is an issue that needs to be dealt with as urgently as possible. For example, the AfDB was unable to participate in the resource pooling in SWAp arrangements with other partners mainly because of the requirement to restrict procurement to only its member countries. This procurement constraint is being addressed. Several AfDB sector team members expressed a preference for basket lending, but stated that the sectors were not ready for the use of the instrument because internal control systems were still weak. The adoption of country systems would help eliminate the multitude of procedures and requirements from DPs that put a strain on government staff.

7.18 Finally, alignment under UJAS is more likely to help improve program selectivity and reduce the incidence of crowding out. The establishment of joint sector working groups, the development of SWAps and pooled funding mechanisms, joint missions, and joint analytical work and advisory services by DPs has had a substantial impact on aid effectiveness. But there are limitations. Some DPs have complained about the limited presence of the AfDB in Kampala, which inhibited its ability to fully participate in partnership meetings. For example, the AfDB was the notional leader for the Private Sector Development Working Group, but it was unable to effectively discharge this function because of lack of appropriate expertise at the country office. Similarly, while the WB emphasized direct budget support by financing the PEAP through annual PRSCs, progress toward a joint budget support (JBS) mechanism has been slow. The WB has acknowledged the need to review its guidelines to accommodate the concerns of UJAS partners needing to pool resources in the context of JBS. The UJAS members' Partnership Principles, under preparation, will also facilitate and define precise guidelines for disbursement under JBS.

7.19 **Assessment of Quality at Entry.** Overall, UJAS has had a slow start on the three main elements of the partnership (strategic direction, predictability of resource flow, and M&E requirements). It has been able to adopt a common strategy aligned to the PEAP. Each member partner is attempting to carve out a niche (Table 19), which could reflect its interest, and most likely would inform the ongoing GOU effort to forge a division of labor among partners based on the dictates of comparative advantage.⁹ As it stands, most DPs provide support in almost all key policy areas, thereby creating a substantial crowding-out effect. The Division of Labor exercise also faces a challenge with respect to how to deal with sectoral allocation as each partner's comparative advantage shifts over time. The UJAS partnership also currently lacks a well-defined leadership framework, a role which by default had been handled until now by the WB. The UJAS partners are cognizant of this situation and are discussing the issue.

7.20 Progress in dealing with the predictability of resource flow is much farther behind, in part because of the partners' differing perspectives on governance issues (particularly on

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corruption and political transition). Dealing with political governance, especially the electoral system that is the centerpiece of the bilateral partners, would be most taxing as the partners move to agree on the principles that would guide the JBS. Different assessment of the risks to development effectiveness posed by the political transition could create tensions among UJAS partners, as occurred during the 2006 parliamentary/presidential elections.

Table 19: Overview of DPs' Current Engagement

(Based on 2004 PEAP)

	WB	AfDB	EC	IMF	Austria	Belgium	Denmark	France	Germany	Ireland	Italy	Japan	Netherlands	Norway	Sweden	United Kingdom	United States	UN A/Agencies
I. Governance Agenda																		
Economic management	x	x	x	x		x	x		x	x		x	x		x	x	x	
Security, conflict, etc.	x	x	x		x	x	x	x	x	x	x	x	x	x	x	x	x	x
Good governance	x	x	x	x	x	x	x		x	x	x	x	x	x	x	x	x	x
II. Growth Agenda: Enhance Production, etc.																		
Private sector	x	x	x	x	x	x	x						x	x	x	x	x	x
Agriculture	x	x	x			x	x	x	x	x	x	x	x	x	x	x	x	x
Fisheries	x	x	x									x					x	x
Forestry		x	x											x				x
Non-agriculture	x	x	x				x		x					x	x	x	x	x
Infrastructure	x	x	x				x	x	x			x	x	x	x	x	x	x
Environment	x		x			x						x	x	x		x	x	x
Microfinance	x	x	x		x		x		x		x			x	x	x	x	x
III. Human Development																		
Education	x	x	x		x	x	x	x	x	x	x	x	x	x	x	x	x	x
Health	x	x	x			x	x	x	x	x	x	x	x	x	x	x	x	x
Water & sanitation	x	x	x		x	x	x	x	x		x	x		x	x	x	x	x
Inclusiveness	x		x					x		x			x	x	x	x	x	x

Source: Adapted from ODI (2007), Table 31.

7.21 Finally, much more work is required on M&E. The UJAS partners rely on the government's own assessment of the results of the PEAP in judging the development effectiveness of the UJAS through the Results Framework (matrix) devised by the partnership.¹⁰ The government has established the annual PEAP review mechanism, which draws on the existing reporting and review arrangements for sector-specific support, for the PEAP as a whole, and the for the budget process. Although the M&E coordinating function resides in the Office of the Prime Minister, there is no perceptible framework around which

monitoring and evaluation takes place. The M&E Unit of the Office of the Prime Minister is currently undertaking a review of the M&E system. Recognizing that developing a harmonized approach to development partnership takes time (with such investment high up front), this assessment concludes that the role of the WB and AfDB in the UJAS partnership has had a modest impact. The quality at entry is rated *moderately satisfactory*.

Assessment of Relationship Management

7.22 This section sets out the relevant findings about WB/AfDB's relations with the GOU, development partners, and civil society (including the private sector). It draws on evaluation team interviews with country team members (of both WB and AfDB), development partners resident in Uganda, and government officials. The conclusions with respect to the WB are similar to the findings of the WB's Uganda Client Survey conducted in 2003 (Box 5).

Box 5. Findings of the WB's Client Survey

The conclusions by the evaluation mission are similar to the findings of the most recent WB Client Survey for Uganda, which was conducted in 2003 (World Bank 2004).^{*} There is no comparable survey for the AfDB. Despite the survey's limited sample coverage and low response rate, the findings are indicative of the overall positive attitude toward the WB in Uganda, especially with respect to its financial services, policy advice, knowledge programs, and collaboration and partnership. The key findings were:

- The WB's greatest value is (in the order of importance) in the financial service it provides, followed by policy advice and knowledge programs.
- The WB's involvement is greatest when (a) helping to strengthen infrastructure development, (b) helping to reduce external debt, (c) contributing to Uganda's PEAP objectives.
- WB effectiveness rated highest when helping to strengthen infrastructure development (a rank of 4 out of 5), macroeconomic and trade policies (3.9 out of 5), and donor coordination and resource mobilization (3.8 out of 5).
- With respect to the WB's program in Uganda, a rating of 7.9 (out of 10) to the effect that the WB plays a relevant role in the development of Uganda, a rating of 6.1 (out of 10) that WB recommendations are realistic and sustainable.

Note: Similar Client Surveys were conducted by the WB in 1995 and 1999. The 2003 Client Survey targeted a sample of 238 respondents comprising senior government officials, staff of government ministries, employees of implementing agencies, local government officials, bilateral/multilateral institutions, private sector, nongovernmental organizations and the media. The response rate was 22 percent.

Source: World Bank 2004.

7.23 **Relations with Government.** The evaluation team met with a cross-section of government officials (Annex I). Issues that warrant highlighting include:

- *The importance attached to the relationship between the WB/AfDB and the government.* One government official noted that the depth of AfDB local knowledge facilitated dialogue with the local authorities. The WB/AfDB was also helpful in supporting the authorities' pursuit of policy reform because of their "independent and non-ideological" status.

- *The WB's dominating role in policy dialogue.* Some officials in sector ministries noted that this was in part because the WB teams tend to be technically competent and well prepared in the subject areas of dialogue. Other officials complained about the WB's occasional lack of flexibility, especially in private sector development. Complaints about the AfDB were largely about their lack of a presence in Kampala, especially with respect to project supervision. Government officials voiced a need for AfDB to develop a substantial capacity in the Country Office by dealing with the skills mix of their staff. The government officers interviewed did not express any problems with the current arrangements with respect to the Country Office of the WB.
- *Interest in receiving more substantive and more timely analytic reports.* Some officials encourage the AfDB to undertake more ESW and recommended that the WB pursue more analytic work in partnership with government counterparts.

7.24 The general feedback pointed to increasing openness, flexibility, and tolerance for the accommodation of government policy reform positions by WB and AfDB missions and programs. But there were complaints: the WB, unlike the AfDB, demanded too much in policy reforms in a short time and tended to impose its views. Others complained about high staff turnover and failure by WB to adequately brief new staff replacement, such that it occasionally triggered the need for wholesale revisions of ongoing programs.¹¹

7.25 **Relations with Development Partners.** The DPs found the leadership provided by the WB very helpful in coordinating donor positions on economic issues, especially when backed by adequate ESW. They found the WB Country Office played a very constructive role and felt that the AfDB needed to expand its Country Office, especially in light of its expanding role in Uganda. They expressed the need for the AfDB to be more proactive in engaging with DPs both one-on-one and in formal and informal meetings (largely because they tended to see it happening less frequently than they would like).

7.26 Not all donors found the role of WB and AfDB faultless within the partnership framework in Uganda. Some donors complained that with the WB's Country Director in another country, it was not clear who really was in charge in Kampala. Some DPs found information sharing insufficiently regular with respect to the WB. DPs were also negative about WB and AfDB's policy stance on governance, as discussed in Chapter 3 of this report.

7.27 **Relations with Civil Society.** While the dialogue between the WB/ AfDB and civil society has improved substantially since the PEAP and the shift away from structural adjustment programs, many civil society members contacted still felt that there was room for improvement. Key divergence on issues with poverty reduction remained to be resolved. A majority of the interviewees agreed that both the WB and AfDB needed greater outreach efforts. The evaluation team's interviews with civil society representatives reinforced the finding that there was a limited agreement by the civil society on assumptions about how WB/ AfDB-supported policies affect poverty reduction. The WB, in particular, continued to be seen in the context of the structural adjustment program of the 1980s and 1990s. Outreach programs by the two banks continue to be weak on ongoing reforms in the two institutions (for example, the WB's push into PRSCs). It is in this area

where differences of view between civil society and government policies make the dialogue especially sensitive.

Conclusion

7.28 Two conclusions follow from the assessment of the WB and AfDB roles in aid alignment and donor harmonization in Uganda:

- First, while efforts at alignment and harmonization have been substantial, both the UJAS (on alignment) and the procedures around the GBS instrument (on harmonization) need further refinement in order to attract increasing participation from all DPs. The WB and the AfDB, along with other multilateral institutions, can provide leadership in this area.
- Second, GBS (supported by the WB through the PRSCs and by the AfDB through the PRSL) had only modest effect on facilitating aid harmonization. Reinforcing the original objectives of GBS as an instrument for minimizing transaction costs (and for promoting the use of country systems) would mean that a greater focus should be devoted to a joint budget support mechanism (a process currently under discussion by the UJAS members), thereby assisting the government in budget prioritization, monitoring, and evaluation. There is also the need to design the complementarities between instruments of budget support (PRSCs) and investment financing in a conscious way, thereby shifting the focus on the maintenance of due process of public spending rather than leveraging of unrelated reform.

NOTES

1. OECD-DAC figures tend to underestimate aid flows in recent years because of delays in reporting, and tend to be larger than similar information obtained from GOU sources because of some disbursements attributable to the country, especially from regional programs that are undertaken outside the country.
2. In Uganda, general budget support includes: sector budget support that is notionally earmarked to a particular sector, such as SWAps; support that is notionally earmarked to the PAF; and support that is not earmarked to any sector, such as the WB PRSC (Refer to OECD-DAC, 2006, pS3).
3. GBS was first used in Uganda in 1998 with the funding of the PAF. The introduction of the PRSC by the WB in 2001 marked the first full GBS designed specifically to support Uganda in the implementation of the PEAP and is not earmarked to any sector.
4. Refer to PEAP Volume 3, Annex I (2001). The undertakings in the Partnership Principles by the DPs predated the Paris Declaration of 2005.
5. See the 1998 report commissioned by the two banks, *Study on Strategic Partnership between the World Bank and the African Development Bank*, and follow-up MOU of March 2000 and related evaluation reports by Dove, et al. (2003).
6. Since the presentation of the Uganda PEAP (PRSP) to the Boards of the WB and IMF in May 2000, the latter has provided support through PRGFs.
7. Subsequently, Austria, Denmark, the European Commission, and Ireland have signed up to UJAS.
8. The idea of preparing a joint strategy was first discussed in the fall of 2003, ahead of the PEAP of 2004. The first comprehensive draft was shared with government, civil society, and other DPs in

April 2005, and the final UJAS was issued in December 2005 (refer to World Bank 2005, p. viii). Part of the delay in completing the UJAS was caused by the delayed PEAP.

9. The Uganda Partner Division of Labor Exercise was first undertaken during June-December 2006. It builds on harmonization and alignment activities underway in Uganda since the 1990s.

10. The Progress Assessment Framework is the matrix used by the UJAS partners in assessing the contributions of their specific interventions to outcomes. The UJAS matrix is fully consistent with the PEAP result matrix, but also contains milestones that are specific to the partners' interventions.

11. An example is the case with the follow-up TA for Makerere University for local government capacity building.

8. Conclusions and Recommendations

Overall Assessment

8.1 This section summarizes the assessment of the contribution of the WB, the AfDB, and the IFC to the development of Uganda during the period FY01-FY07 for the WB, 2002-07 for the AfDB, and FY99-08 for the IFC. It consolidates the conclusions of the previous chapters with respect to the relevance, efficacy, and efficiency of various forms of assistance provided. The section also discusses the risk to development outcome of the support provided. As stated earlier, the ratings for the WB and AfDB are not comparable.

8.2 **Assessment of WB's contribution:** The overall outcome of the WB's assistance is rated *moderately satisfactory* (Table 20). This reflects the combined ratings for the relevance of objectives, design factors, the choice of instruments, and efficacy. With respect to relevance, the review concludes that the strategies and supporting programs of the WB during the period reviewed reflected strong client orientation and emphasized technical quality (especially with respect to the analytic work and project preparation that underpinned the various interventions). By addressing complex policy and institutional development issues in governance, growth, and human development, the level and scope of support was comparable to what the WB provided to countries with development needs similar to Uganda's. Although it was not possible to evaluate the efficiency of the support provided by the WB, the review concludes that the use of resources met its intended objectives in that the programs largely met the commitments proposed in the CAS, reflected the broad objectives outlined in the CAS, and the AAA products were cost effective and largely complemented the lending program. Portfolio performance was close to WB average.

8.3 In terms of efficacy, the WB assistance substantially achieved its objectives in five areas: decentralization, public sector reform, growth and economic transformation, education, and water and sanitation. Public sector reform, as well as financial management and accountability reforms in the local councils, supported by general budget support and capacity building, helped enhance institutions and service delivery in the rapidly expanding local government structure (Chapter 3). Along with the IMF and other DPs, the WB's key policy dialogue, underpinned by high-quality analytic work, helped the government maintain a prudent fiscal stance throughout the period, though the analytic work on growth could have been more timely (Chapter 4). Support for education and health also has had desirable outcomes and helped increase coverage, improve access, and establish a framework for better service delivery (Chapter 5). On the other hand, WB support had modest outcomes in reducing the perception of increasing corruption (Chapter 3); promoting a competitive business environment by improving the supply of power and reducing transport costs; enhancing agricultural productivity (Chapter 4); and helping the government deal with family planning and reproductive health issues (Chapter 5).

Table 20: Summary of Outcome Ratings for World Bank Assistance

<i>Strategic CAS Goals</i>	<i>Achievement of Associated CAS Results</i>	<i>WB Program Outcome Ratings</i>
Governance		Moderately satisfactory
Decentralization	Financial management and accountability reforms supported under local government yielded positive results in building institutions and enhancing capacity. Program achieved targets established under LGDP grant.	Satisfactory
Public sector reform	Limited capacity in ministries, departments, and agencies did not permit institutionalization of the results-based approach to public service management. Expected pay reform was also not fully achieved. Support for financial management reforms yielded positive results.	Moderately satisfactory
Anti-corruption	Support to improve accountability has not significantly reduced the perception of high corruption. Government effectiveness is perceived not to have improved. Use of PRSC did not facilitate governance reform, as the direct links between Bank support and outcomes were not clear. The analytic basis for governance reform was limited.	Moderately unsatisfactory
Growth		Moderately Satisfactory
Growth and macro-stability	Growth was moderate and only slightly off target, but WB analytic support was not timely. Fiscal prudence was maintained, although arrears remained due to implementation weaknesses with MTEF. Domestic revenue mobilization was modest. The GOU's aid dependence remains high with likely implications for "Dutch disease."	Satisfactory
PSD and competitiveness	WB support, with IMF collaboration, helped to deepen the financial sector, promote privatization, and improve the regulatory environment. Nonetheless, the economy's competitiveness was not significantly enhanced because of failure to resolve the power issue, substantially reduce road transport cost, and improve access of SMEs to financial sector services.	Moderately satisfactory
Agriculture and environment	Support for agriculture, while focused, was too heavy aimed at institutional capacity building. Support for NEMA has improved the focus on the preservation of the natural environment. But the analytic work was not matched by comparable operations. Current status of agriculture productivity is unknown.	Moderately satisfactory
Human Development		Moderately satisfactory
Health	Despite improved access and citizens' satisfaction with public health service delivery, outcomes in family planning and reproductive health remain unsatisfactory. PRSCs have declined as effective instruments for dealing with specific health sector issues.	Moderately unsatisfactory
Education	Support has yielded equitable coverage, especially for girls; provided institutional strengthening by meeting output targets established in the PEAP; and through PRSCs, sustained resource flow to the sector. Support was unable to deal with inefficiency issues and concerns with Uganda's attainment of MDG2.	Moderately satisfactory
Water & sanitation (service delivery aspects)	Support to local governments through the PRSCs helped exceed all CAS performance targets (protected springs, boreholes drilled, and new wells constructed). Both rural and urban access to safe water showed major improvement, on track to exceed the corresponding MDG targets. Progress in sanitation provision and hygiene mitigation was limited, with potential negative effects on the achievement of MDGs in the area of infant, child, and maternal mortality.	Satisfactory

8.4 **Assessment of AfDB's Contribution:** Table 21 summarizes the outcome ratings of the support provided by the AfDB and concludes that overall outcome is *moderately satisfactory*. This should be viewed in the context of AfDB's limited resource base and its strategic selection of areas to intervene in light of the role played by other development partners. The AfDB aligned its strategies with the PEAP and provided selective assistance under the PEAP pillars, thereby complementing the WB and other DPs. However, resource use relative to CSP targets was lower than expected given the long project effectiveness and gestation periods, which delayed project implementation.

8.5 The AfDB assistance achieved its targeted objectives for decentralization, public sector reform, growth and economic transformation, improved competitiveness, agriculture, and water and sewerage. The AfDB complemented the efforts of other DPs, notably the WB, in enhancing improvements in decentralization through capacity building and institutional support (Chapter 3). Its assistance was particularly important in improving access to potable water supply through its small towns and rural water projects, as well as to mental health, primary health care, and education services (Chapter 5). Furthermore, its diversified approach to agriculture through support for fisheries and livestock is more likely to improve rural incomes (Chapter 4). AfDB's support for anti-corruption needs refocusing as it did not reduce the perception of increasing corruption in Uganda. Quality issues also persist with respect to service delivery for mental and primary healthcare and primary education.

8.6 **Joint Assessment:** While the assistance strategies and coverage of programs by the two institutions were certainly relevant to the problems that confronted Uganda, the timeliness of instruments and design factors did not always reflect the existing government capacity and the political environment. For example, interventions by WB and AfDB in the power sector were overly optimistic, overemphasized institutional reforms, and underestimated the risks associated with the construction and operations of hydroelectric power plants. Similarly, especially with respect to the WB, the shift from investment operation to PRSCs in support of the social sectors underestimated the complexity of the parallel program of decentralization in making it possible to achieve the multiple goals of improved access, coverage, and quality in education, health, and water and sanitation.

8.7 **Risk to development outcomes is similar for both banks.** The institutional development impact of the assistance of the two banks is widespread and multidimensional. Both provided support (financial and analytic) in almost all the major sectors of the economy. The outcomes of their contributions are reflected in legislative and judicial institution building to support governance, infrastructure reforms (including reforms of regulatory systems and direct investments in power, roads, and water), and infrastructure and capacity building to support service delivery in health, education, and water and sanitation. But the support provided has not been able to reduce two risks facing the development outcome of assistance. The first is the failure to substantially improve the government's capacity to mobilize domestic resources. The tax revenue to GDP ratio remains low, averaging an estimated 12.5 percent per annum over the past decade and projected to reach 15 percent per annum by 2010 (World Bank 2008). With government expenditure to GDP ratio projected to remain in excess of 20 percent per annum, Uganda's aid dependence will continue, as will the scope for flexibility in policy options. The second

CHAPTER 8
CONCLUSIONS AND RECOMMENDATIONS

is the prospects for political tension, largely from the electoral process, and to a smaller extent from the conflict in the north. The support for governance reforms by the two banks has not yet achieved its anticipated impact, nor is there complimentary support from other DPs to adequately address this issue. On balance, the risk to development outcomes is rated *substantial* for both banks.

Table 21: Summary of Outcome Ratings for African Development Bank Assistance

<i>Strategic CSP Goals</i>	<i>Achievement of Associated CSP Results</i>	<i>AfDB Program Outcome Ratings</i>
Governance		Moderately satisfactory
Decentralization	Assistance helped strengthen institutions and human capacity in financial management and accountability of local government. This contributed by improving access to basic services.	Satisfactory
Public sector management reforms	Support for procurement reform has not yet yielded the expected results. Support for financial management has helped the government to achieve expenditure targets related to poverty spending.	Moderately satisfactory
Anti-corruption	Support for accountability and training to facilitate the reduction in corruption has not helped to significantly reduce the perception of corruption. Government effectiveness is perceived not to have improved through the assistance provided for audit systems.	Moderately unsatisfactory
Growth		Moderately satisfactory
Growth, fiscal reform and export diversification	AfDB's contribution was substantial in achieving poverty-reducing expenditure targets. Fiscal prudence was maintained; although arrears remain. Revenue mobilization remains weak. Substantial progress was made on export diversification.	Satisfactory
PSD/SME development and competitiveness	Focus on rural finance helped improve availability of lines of credit to SMEs. Support for communal roads is helping open up the rural areas. Overall, the economy's competitiveness was not significantly enhanced because of the failure to resolve the power issue and to substantially reduce transport costs.	Moderately satisfactory
Agriculture	The diversified approach to supporting agriculture yielded mixed results: sustained growth of agriculture of 3 percent has not been achieved, but the integrated approach is helping reduce soil degradation, commercialize traditional agriculture, and develop fisheries and livestock.	Satisfactory
Human development		Moderately satisfactory
Health	Improvements in regional access to mental health and primary health care services were achieved, but severe shortages of staffing and drugs continued to limit effective access to mental health care. The lack of adequate M&E program support was also a shortcoming.	Moderately satisfactory
Education	Increases to both access and quality of education occurred, but quality improvements were limited by the timeliness and quality of the delivery, as well as by the relatively high demand for education. The education system in Uganda still faces high drop-out rates and low transition rate from primary to post-secondary education.	Moderately satisfactory
Water & sanitation (service delivery aspects)	Support from the Small Towns Water project helped exceed all CSP performance targets (protected springs, boreholes drilled, and new wells constructed). Both rural and urban access to safe water showed major improvement, on track to exceed the corresponding MDG target. Relative neglect of sanitation provision and hygiene mitigation could have potential negative effects on achievement of MDGs in the area of infant, child, and maternal mortality.	Satisfactory

8.8 **Assessment of IFC's Contribution:** IFC's main contribution has been in telecommunications, where it helped restructure the sector and expand access to mobile communications. It has also played a substantial role providing assistance to institutional and regulatory reforms in leasing and supported the supply response to these reforms by helping clients introduce new financial products in the market, such as: pioneering of the leasing industry, introduction of mortgage programs, introduction of a trade finance program, and piloting a program targeting women's access to finance. In these instances, IFC's additionality was in the provision of long-term finance and expert advice in business development, which were critical in mitigating the risks of entering new, untested sectors. Despite significant joint efforts with the Bank, the desired results in the energy sector have yet to be seen. Limited impact was seen in SMEs' access to finance and in developing housing finance, despite reforms in these areas. Factors of success included sustained involvement in priority sectors such as energy, telecom, and financial services; a government committed to policy and institutional reform; and a close and well-established relationship with clients.

Lessons

8.9 The principal findings (or interpretation of factual events) lead to five lessons for WB and AfDB assistance in Uganda (lessons for IFC are in Chapter 6):

8.10 **In translating objectives into programs of assistance, review of design and implementation options with attention to their appropriateness to the country and to the risks associated with each option.** In interventions where program design and choice of policy options did not adequately factor in risk issues in design and implementation, such as in the power sector and in strengthening the capacity of anti-corruption institutions, unanticipated consequences led to weak outcomes. In unbundling the power sector, for example, weak assessment of the risk associated with supply failure was behind the poor outcome of both WB and AfDB assistance.

8.11 **Support for policy reforms aimed at broad-based governance outcomes, such as the reduction in public sector corruption, needs to be built on an understanding of the causal links between the interventions and their expected outcomes.** The assistance the WB and AfDB provided on governance was mainly in public financial management with the objective of improving transparency and accountability in the public sector, thereby helping reduce corruption. Although the strategies and program designs underlying the support were relevant and aligned to the PEAP (while emphasizing the comparative advantage of multilateral institutions), they did not clarify the links between the interventions and how they were expected to lead to improved governance. Consequently, while the outputs of the public finance interventions of the two institutions were substantial (as noted by satisfactory project implementation), their impact on the reduction of corruption was not clear.

8.12 **Building effective institutions requires proper sequencing of reforms, sufficient time, and adequate risk analysis.** The assistance strategies of both banks prioritized building institutions, either new or by refurbishing old ones (as, for example, with reforms in the power sector). The rapid expansion in institution-building was not always

accompanied by comparable gains in outcomes because insufficient time was provided for the process to take root. Building institutions required legislation, adequate staffing, and leadership, which usually took longer to assemble than could be anticipated in the original programs. In addition, a better understanding of the political context and a focus on basic risk analysis could help define a more realistic time horizon.

8.13 The untimely sequencing of policy measures in an environment undergoing major reforms (as in the social sectors in Uganda) can lead to underperformance. Uganda has been at the forefront of development policy initiatives, especially in human development, but the development outcome does not quite measure up. One reason may be the repeated introduction by the government of policy measures that may be desirable but are out of line with the agreed medium and long-term strategic planning framework. Some of these often rather sudden initiatives, such as universal primary education, universal secondary education, the abolition of user fees for basic health services, and salary increases for teachers and health workers beyond planned levels, affected the social sectors directly by reducing the effectiveness of ongoing reforms. Others have indirect bearing by decreasing budgetary space for allocations to basic service delivery. Examples are the abolition of the graduated tax and the creation of new districts with associated high costs and capacity building challenges.

8.14 In order to optimize aid effectiveness, the focus should be on improving aid predictability, resolving issues of coordination among the large number of donors, and resolving aid fragmentation. Uganda's efforts at aligning donors behind the PEAP, promoting the movement to joint assistance programs among donors (the UJAS), and seeking broader use of the GBS instrument have helped improve the predictability of aid flows, initiated discussion on coordination and division of labor among donors, and will likely help reduce fragmentation (that is, the proliferation of donor-funded activities).

Recommendations

8.15 Two sets of recommendations are provided: one for the WB and the other for the AfDB. The recommendation applies to both banks. They build on the lessons discussed above and the recommendations provided in the 2001 IEG-CAE for the WB and the 2004 OPEV-CAE for the AfDB (Chapter 1). In both previous cases, the recommendations were not fully implemented, especially those with respect to WB taking a stronger stance on governance and the AfDB deepening its ESW.

8.16 For the World Bank:

- Support the GOU in developing an analytic framework to guide decisions on governance reforms. Such a framework will help define the causal links between various interventions and expected outcomes for improved governance.
- With the help of other development partners, encourage and support the GOU to develop medium-to-long-term master plans for infrastructure development in order to promote private sector participation, competition, and regulatory reform and to enhance the process of timely institutional building.

- Encourage the GOU to coordinate major ongoing monitoring and evaluation initiatives by its development partners in order to secure reliable M&E of its overall poverty reduction strategy, thereby helping to facilitate adequate sequencing of policy reform.

8.17 For the AfDB:

- Strengthen AfDB's presence in-country by relocating sector specialists in order to raise its profile and ensure improved policy dialogue. This is particularly important in the areas where the AfDB plans to stay engaged. To avoid spreading AfDB's staff too thinly, one option may be to deploy sector specialists to regional hubs.
- To use limited resources more effectively, seek deeper engagement in a limited set of areas.
- Undertake regular, perhaps joint, economic and sector work and project-level self-evaluation, that is sufficient to underpin country strategy and deepen dialogue with GOU.

8.18 For both the WB and the AfDB:

- Seek to reinforce the effectiveness of GBS as an instrument for minimizing transaction costs and facilitating the use of country systems, as channeling funds through the recipient country's institutions helps strengthen the governance structures and capacities and facilitate aid harmonization. This will require a greater focus on reaching agreement with other UJAS members on a joint budget support mechanism and assisting the government in budget prioritization, monitoring, and evaluation.

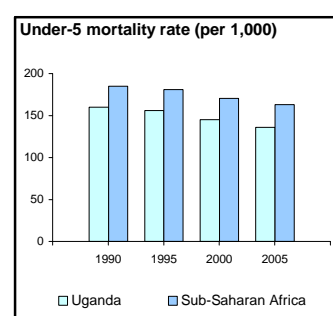
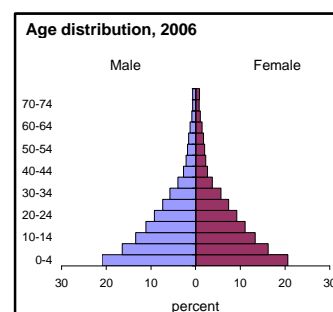
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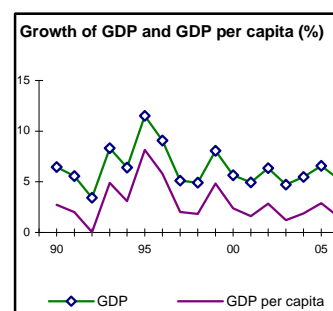
ANNEX A
STATISTICAL SUPPLEMENT

Annex Table 1: Uganda at a Glance

Key Development Indicators (2006)	Uganda	Sub-Saharan Africa	Low income
Population, mid-year (millions)	29.9	770	2,403
Surface area (thousand sq. km)	241	24,265	29,215
Population growth (%)	3.6	2.3	1.8
Urban population (% of total population)	13	36	30
GNI (Atlas method, US\$ billions)	8.9	648	1,562
GNI per capita (Atlas method, US\$)	300	842	650
GNI per capita (PPP, international \$)	1,490	2,032	2,698
GDP growth (%)	5.3	5.6	8.0
GDP per capita growth (%)	1.5	3.2	6.1
<i>(most recent estimate, 2000–2006)</i>			
Poverty headcount ratio at \$1 a day (PPP, %)	..	41	..
Poverty headcount ratio at \$2 a day (PPP, %)	..	72	..
Life expectancy at birth (years)	50	47	59
Infant mortality (per 1,000 live births)	79	96	75
Child malnutrition (% of children under 5)	23	29	..
Adult literacy, male (% of ages 15 and older)	77	69	72
Adult literacy, female (% of ages 15 and older)	58	50	50
Gross primary enrollment, male (% of age group)	119	98	108
Gross primary enrollment, female (% of age group)	119	86	96
Access to an improved water source (% of population)	60	56	75
Access to improved sanitation facilities (% of population)	43	37	38



Net Aid Flows	1980	1990	2000	2006 ^a
<i>(US\$ millions)</i>				
Net ODA and official aid	113	663	817	1,198
<i>Top 3 donors (in 2005):</i>				
United States	13	30	58	242
Netherlands	4	4	43	80
Denmark	2	25	60	64
Aid (% of GNI)	9.2	15.7	14.0	14.0
Aid per capita (US\$)	9	37	34	42
Long-Term Economic Trends				
Consumer prices (annual % change)	..	45.5	5.8	3.5
GDP implicit deflator (annual % change)	45.9	44.4	3.8	6.7
Exchange rate (annual average, local per US\$)	1.0	319.6	1,512.0	1,825.1
Terms of trade index (2000 = 100)	..	132	100	91
Population, mid-year (millions)	12.6	17.8	24.3	29.9
GDP (US\$ millions)	1,245	4,304	5,926	9,322
<i>(% of GDP)</i>				
Agriculture	72.0	56.6	37.3	31.7
Industry	4.5	11.1	20.3	24.6
Manufacturing	4.3	5.7	9.8	8.6
Services	23.5	32.4	42.4	43.7
Household final consumption expenditure	88.9	91.9	78.2	77.6
General gov't final consumption expenditure	11.2	7.5	13.7	14.4
Gross capital formation	6.2	12.7	20.0	24.9
Exports of goods and services	19.4	7.2	11.2	13.8
Imports of goods and services	26.0	19.4	23.0	30.7
Gross savings	-1.0	1.2	9.3	11.2



1980–90	1990–2000	2000–06
<i>(average annual growth %)</i>		
3.4	3.1	3.4
2.9	7.1	5.6
2.1	3.7	4.3
5.0	12.2	7.0
3.9	14.1	5.2
2.8	8.2	7.7
2.7	6.8	5.6
2.0	7.1	5.9
8.0	8.9	10.3
1.8	14.7	7.8
4.4	10.0	10.8

Note: Figures in italics are for years other than those specified. 2006 data are preliminary. .. indicates data are not available.
a. Aid data are for 2005.

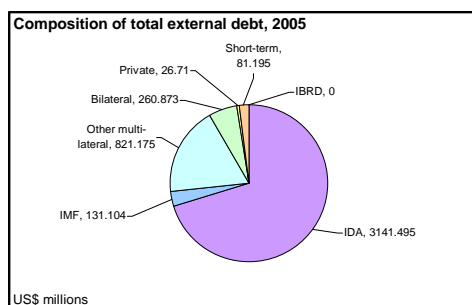
Source: Development Economics, Development Data Group (DECDG), 9/28/07.

Annex Table 1: Uganda at a Glance (continued)

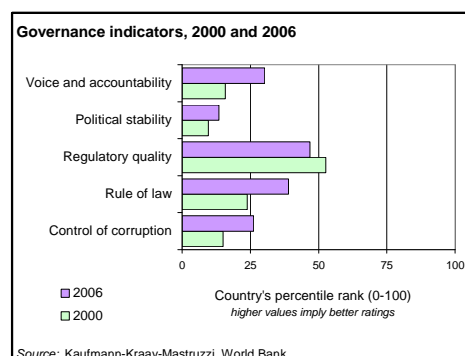
Uganda

Balance of Payments and Trade	2000	2006
<i>(US\$ millions)</i>		
Total merchandise exports (fob)	460	603
Total merchandise imports (cif)	954	1,336
Net trade in goods and services	-703	-1,378
Workers' remittances and compensation of employees (receipts)	238	476
Current account balance as a % of GDP	-644 -10.9	-1,074 -11.5
Reserves, including gold	719	1,025
Central Government Finance		
<i>(% of GDP)</i>		
Current revenue (including grants)	11.3	12.6
Tax revenue	10.4	11.7
Current expenditure	10.9	12.0
Overall surplus/deficit	-13.8	-10.6
Highest marginal tax rate (%)		
Individual	30	30
Corporate	30	30

External Debt and Resource Flows	2000	2006
<i>(US\$ millions)</i>		
Total debt outstanding and disbursed	3,498	4,463
Total debt service	74	172
Debt relief (HIPC, MDRI)	1,282	1,705
Total debt (% of GDP)	59.0	51.1
Total debt service (% of exports)	10.5	10.7
Foreign direct investment (net inflows)	161	257
Portfolio equity (net inflows)	0	2



Private Sector Development	2000	2006
Time required to start a business (days)	–	28
Cost to start a business (% of GNI per capita)	–	96.0
Time required to register property (days)	–	227
Ranked as a major constraint to business (% of managers surveyed who agreed)		
Electricity	..	63.3
Tax rates	..	11.0
Stock market capitalization (% of GDP)	0.6	1.2
Bank capital to asset ratio (%)	9.8	10.3



Technology and Infrastructure	2000	2005
Paved roads (% of total)	..	23.0
Fixed line and mobile phone subscribers (per 1,000 people)	8	56
High technology exports (% of manufactured exports)	22.5	14.0

Environment	2000	2005
Agricultural land (% of land area)	..	..
Forest area (% of land area)	20.6	18.4
Nationally protected areas (% of land area)	..	32.6
Freshwater resources per capita (cu. meters)	..	1,353
Freshwater withdrawal (% of internal resources)	0.8	..
CO2 emissions per capita (mt)	0.06	0.06
GDP per unit of energy use (2000 PPP \$ per kg of oil equivalent)	..	..
Energy use per capita (kg of oil equivalent)	..	..

World Bank Group portfolio	2000	2006
<i>(US\$ millions)</i>		
IBRD		
Total debt outstanding and disbursed	0	0
Disbursements	0	0
Principal repayments	0	0
Interest payments	0	0
IDA		
Total debt outstanding and disbursed	2,115	436
Disbursements	190	93
Total debt service	9	40
IFC (fiscal year)		
Total disbursed and outstanding portfolio of which IFC own account	36	12
Disbursements for IFC own account	0	10
Portfolio sales, prepayments and repayments for IFC own account	6	0
MIGA		
Gross exposure	43	43
New guarantees	0	43

Note: Figures in italics are for years other than those specified. 2006 data are preliminary.
.. indicates data are not available. – indicates observation is not applicable.

Source: Development Economics, Development Data Group (DECDG), 9/28/07.

ANNEX A
STATISTICAL SUPPLEMENT

Annex Table 2: Uganda - Economic and Social Indicators, 2000-2007

	Uganda								Uganda	Kenya	Ethiopia	Malawi	DRoC	SSA	Low Income
	2000	2001	2002	2003	2004	2005	2006	2007	2000-2007 average						
Growth and Inflation															
GDP growth (annual %)	5.6	4.9	6.4	4.7	5.4	6.7	5.1	6.5	5.7	4.0	7.6	2.7	3.1	4.8	5.3
GDP per capita growth (annual %)	2.5	1.7	3.1	1.4	2.1	3.3	1.7	2.9	2.3	1.4	4.8	0.1	0.2	2.2	3.0
GNI per capita, Atlas method (current US\$)	260.0	240.0	230.0	230.0	250.0	270.0	300.0	340.0	265.0	486.3	150.0	192.5	106.3	640.6	411.9
GNI per capita, PPP (current international \$)	660.0	680.0	720.0	740.0	780.0	820.0	870.0	920.0	773.8	1,280.0	577.5	628.8	237.5	1,532.0	1,192.5
Inflation, consumer prices (annual %)	2.8	2.0	-0.3	7.8	3.3	8.2	6.8	6.1	4.6	9.2	7.0	15.7	156.7	..	..
Composition of GDP															
Agriculture, value added (% of GDP)	37.3	36.4	31.0	32.4	32.2	32.8	31.1	29.0	32.8	28.4	46.0	36.5	49.1	17.4	28.0
Industry, value added (% of GDP)	20.3	20.2	21.6	21.2	21.2	18.3	18.1	18.2	19.9	18.0	13.3	18.7	23.9	30.3	26.7
Services, etc., value added (% of GDP)	42.4	43.4	47.5	46.4	46.6	48.9	50.7	52.8	47.3	53.6	40.7	44.8	27.1	52.3	45.3
External Accounts															
Exports of goods and services (% of GDP)	11.2	12.1	11.9	12.4	13.7	13.2	14.8	13.3	12.8	24.1	13.3	24.5	26.0	32.2	29.0
Imports of goods and services (% of GDP)	23.0	24.3	26.6	26.6	27.6	27.1	30.1	32.0	27.2	33.3	29.7	40.1	32.3	33.2	33.5
Current account balance (% of GDP)	-6.1	-6.5	-6.2	-5.7	-4.6	-4.7	-3.4	-6.6	-5.5	-1.2	-5.6	-5.1	..	..	..
Total debt service (% of GNI)	1.3	0.9	1.2	1.4	1.5	2.0	1.2	..	1.4	3.4	1.3	2.5	4.4	3.4	3.2
Total reserves in months of imports	6.2	7.0	6.4	6.8	6.6	5.7	6.3	6.8	6.5	3.3	3.5	3.4	..	6.9	5.8
Other Macroeconomic Indicators															
Gross domestic savings (% of GDP)	8.1	6.5	4.7	6.3	8.4	7.6	8.1	5.8	6.9	8.7	6.8	6.1	5.1	16.4	15.5
Gross fixed capital formation (% of GDP)	19.6	18.2	18.9	20.1	22.1	21.3	23.0	24.1	20.9	17.5	23.1	18.6	8.5	17.8	21.2
Fiscal Accounts															
Revenue, excluding grants (% of GDP)	11.3	10.8	12.2	12.1	12.7	12.6	13.3	..	12.2	19.6	14.3	..	5.5	..	..
General government final consumption expenditure (% of GDP)	13.7	13.8	15.3	14.8	14.7	14.4	14.7	14.1	14.4	16.7	13.6	12.6	7.3	16.1	9.8
Gross national expenditure (% of GDP)	111.9	112.1	114.7	114.2	113.9	113.9	115.3	118.7	114.3	109.2	116.4	114.3	106.3	..	..
Cash surplus/deficit (% of GDP)	-2.0	-1.0	-3.7	-3.8	-1.5	-0.1	-2.0	..	-2.0	0.6	-7.6	..	-2.0	..	..
Social Indicators															
Health															
Life expectancy at birth, total (years)	46.5	..	47.8	..	..	50.0	50.7	..	48.7	52.4	51.3	46.4	45.2	49.6	56.2
Immunization, DPT (% of children ages 12-23 months)	58.0	61.0	72.0	81.0	87.0	84.0	80.0	..	74.7	74.7	63.9	84.9	54.0	62.2	67.5
Impr. water source (% of population with access)	56.0	..	..	..	..	..	64.0	..	60.0	54.0	35.5	69.5	45.5	56.5	65.8
Impr. sanitation facilities, rural (% of rural pop. with access)	32.0	..	..	..	..	..	34.0	..	33.0	47.0	6.0	59.0	21.0	23.3	30.5
Mortality rate, infant (per 1,000 live births)	85.0	..	..	..	..	79.0	77.8	..	80.6	78.5	83.2	83.3	129.0	96.0	87.4
Education															
School enrollment, preprimary (% gross)	3.9	4.0	4.2	3.3	2.1	1.5	3.3	..	3.2	47.8	2.0	..	1.0	15.7	19.4
School enrollment, primary (% gross)	125.4	127.6	131.6	132.3	124.0	117.9	116.7	..	125.1	103.2	68.9	128.4	61.0	86.4	88.5
School enrollment, secondary (% gross)	15.9	16.0	18.6	18.6	18.3	18.3	..	..	17.6	45.0	21.1	29.8	20.6	28.5	35.7
Population															
Population growth (annual %)	3.0	3.1	3.2	3.2	3.2	3.2	3.2	3.4	3.2	2.6	2.7	2.6	2.9	2.5	2.3
Population, total (million)	24.7	25.5	26.3	27.1	28.0	28.9	29.9	30.9	27.7	34.3	72.4	12.8	56.3	735.5	1,201.1
Urban population (% of total)	12.1	12.2	12.3	12.3	12.4	12.5	12.7	12.8	12.4	20.4	15.8	16.7	31.5	34.3	30.2

Note 1: Some of these indicators are not available on an annual basis, so some averages are based on fewer observations.

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Annex Table 3: External Assistance to Uganda, Total Net ODA Disbursement, 2001-2006, (US\$ Million)

	2001	2002	2003	2004	2005	2006	Total	%Total
Australia	0.3	0.6	0.5	0.6	0.3	2.8	5.0	0.1
Austria	1.8	5.4	5.4	8.1	8.4	10.3	39.5	0.6
Belgium	3.5	2.1	6.6	8.1	13.3	14.9	48.6	0.8
Canada	2.6	6.4	6.7	10.2	12.8	14.1	52.9	0.8
Czech Republic		0.0	0.0	0.1	0.0	0.3	0.5	0.0
Denmark	58.7	43.1	53.0	61.3	63.7	78.5	358.3	5.6
Finland	0.8	0.8	1.0	2.4	5.3	6.1	16.4	0.3
France	6.5	5.5	4.7	6.2	7.7	5.4	36.0	0.6
Germany	33.2	33.9	26.7	41.8	51.4	54.6	241.4	3.8
Greece	0.1	0.1	0.2	0.1	0.1	0.0	0.5	0.0
Iceland	0.4	0.5	1.0	1.2	1.6	2.3	6.9	0.1
Ireland	23.5	37.0	44.4	47.6	47.8	57.6	257.9	4.0
Italy	3.7	26.7	8.9	8.2	3.9	9.6	61.0	1.0
Japan	14.6	8.1	9.5	11.8	14.4	21.8	80.3	1.3
Korea	0.1	0.3	0.1	0.2	0.1	0.2	1.0	0.0
Luxembourg		0.1	0.1	0.1	0.1	0.1	0.5	0.0
Netherlands	40.8	43.5	57.8	70.9	80.1	82.4	375.5	5.9
New Zealand	0.3	0.2	0.5	0.2	0.6	0.2	1.9	0.0
Norway	19.7	32.6	38.4	41.7	45.5	50.5	228.4	3.6
Slovak Republic		0.0	0.0	0.0	0.0		0.1	0.0
Spain	-2.3	2.8	9.8	3.3	-0.6	2.7	15.7	0.2
Sweden	29.4	23.4	32.9	42.7	47.9	62.6	239.0	3.7
Switzerland	0.4	0.6	1.6	3.2	3.4	3.6	12.6	0.2
Poland					0.0	0.0	0.0	0.0
Thailand						0.1	0.1	0.0
Turkey					0.0	0.0	0.0	0.0
United Kingdom	82.2	84.0	104.7	107.6	55.6	214.4	648.5	10.1
United States	66.5	109.4	174.0	207.7	228.8	246.2	1,032.6	16.1
Other Bilateral Donors	0.1	0.1	0.1	0.1	0.1	0.1	0.6	0.0
Total Bilateral Donors	386.9	467.0	588.5	685.4	692.7	941.1	3,761.7	58.8
AfIDF (African Dev.Fund)	31.9	17.7	15.2	54.5	59.2	103.6	282.0	4.4
Arab Agencies	-0.3			-0.1	3.1	8.5	11.2	0.2
Arab Countries	1.4	4.3					5.7	0.1
EC	63.3	33.5	89.4	112.7	83.2	155.5	537.5	8.4
GEF	4.0	3.7	2.8	2.7	3.5	3.3	19.9	0.3
Global Fund (GFATM)			0.3	37.7	41.2	27.7	106.9	1.7
Nordic Dev. Fund	0.3	0.2	1.7	4.3	8.6	2.9	17.9	0.3
IDA	290.5	171.8	265.0	300.4	297.5	255.9	1,581.1	24.7
SAF+ESAF+PRGF (IMF)	-38.0	-39.1	-42.1	-52.6	-46.6	2.9	-215.5	-3.4
IFAD	2.5	3.3	3.4	5.9	6.2	5.3	26.6	0.4
UNDP	4.3	4.0	4.5	5.4	6.1	7.1	31.4	0.5
UNFPA	4.8	5.4	6.2	5.3	3.8	5.7	31.2	0.5
UNHCR	12.4	14.7	12.0	9.3	6.6	8.2	63.2	1.0
UNICEF	5.4	5.0	5.4	7.8	9.6	11.7	44.8	0.7
UNTA	2.2	3.3	4.3	2.9	2.9	1.6	17.2	0.3
WFP	18.9	14.9	19.6	12.3		9.7	75.4	1.2
DAC Countries, Total	790.4	709.7	976.1	1,193.8	1,177.5	1,550.6	6,398.0	100.0
G7, Total	209.3	273.9	335.1	393.5	374.8	566.0	2,152.6	33.6
DAC EU Members, Total	282.0	308.2	356.1	408.5	384.9	599.1	2,338.8	36.6
Non-DAC Bilateral Donors, Total	2.0	5.3	1.3	1.6	2.0	2.9	14.9	0.2
Multilateral, Total	402.1	238.3	387.6	508.4	484.8	609.5	2,630.7	41.1
All Donors, Total	790.4	709.7	976.1	1,193.8	1,177.5	1,550.6	6,398.0	100.0

Source: OECD-DAC 2a as of May 2008.

ANNEX A
STATISTICAL SUPPLEMENT

Annex Table 4a-Part 1: Uganda: World Bank Commitments by Sector (US\$ Million), FY01-07

Sector	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY01-07
Agriculture, Fishing and Forestry	34.7	3.9	26.3	22.5	37.0	16.2	6.3	146.8
Public Administration, Law, and Justice	119.7	3.7	92.9	85.1	54.5	148.9	68.5	573.3
Information and Communications	0.0	5.4	0.0	0.0	0.0	0.0	0.0	5.4
Education	32.5	5.0	75.0	23.2	30.0	35.7	18.8	220.1
Finance	4.8	0.0	0.0	0.0	10.5	0.0	0.0	15.3
Health and Other Social Services	97.9	3.9	122.6	26.3	30.0	16.2	18.8	315.7
Industry and Trade	5.3	0.0	0.0	0.0	28.0	1.8	0.0	35.1
Energy and Mining	0.0	94.8	0.0	10.0	0.0	0.0	294.0	398.8
Transportation	12.0	63.9	18.8	0.0	107.6	0.0	0.0	202.2
Water, Sanitation and Flood Protection	31.5	0.0	71.0	22.5	30.0	16.2	18.8	189.9
Total Commitments	338.4	180.7	406.5	189.6	327.6	235.0	425.0	2,102.8

Source: BW 2a.1 as of May 2008.

Annex Table 4a-Part 1: Uganda: World Bank Commitments by Sector (percentages), FY01-07

Sector	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY01-07
Agriculture, Fishing and Forestry	10.2	2.2	6.5	11.9	11.3	6.9	1.5	7.0
Public Administration, Law, and Justice	35.4	2.1	22.8	44.9	16.6	63.4	16.1	27.3
Information and Communications	0.0	3.0	0.0	0.0	0.0	0.0	0.0	0.3
Education	9.6	2.8	18.5	12.3	9.2	15.2	4.4	10.5
Finance	1.4	0.0	0.0	0.0	3.2	0.0	0.0	0.7
Health and Other Social Services	28.9	2.2	30.2	13.8	9.2	6.9	4.4	15.0
Industry and Trade	1.6	0.0	0.0	0.0	8.5	0.8	0.0	1.7
Energy and Mining	0.0	52.5	0.0	5.3	0.0	0.0	69.2	19.0
Transportation	3.5	35.4	4.6	0.0	32.8	0.0	0.0	9.6
Water, Sanitation and Flood Protection	9.3	0.0	17.5	11.9	9.2	6.9	4.4	9.0
Total Commitments	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: BW 2a.1 as of May 2008.

Annex Table 4a-Part 2: Uganda: World Bank Commitments by Sector for PRSCs (US\$ Million) FY01-07

Sector	FY01	FY03	FY04	FY05	FY06	FY07	FY01-07
	PRSC 1	PRSC 2	PRSC 3	PRSC 4	PRSC 5	PRSC 6	PRSC 1-6
Agriculture, Fishing and Forestry	0.0	0.0	22.5	30.0	16.2	6.3	75.0
Public Administration, Law, and Justice	43.5	30.0	60.0	30.0	70.2	62.5	296.2
Information and Communications	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Education	31.5	30.0	22.5	30.0	16.2	18.8	149.0
Finance	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health and Other Social Services	31.5	60.0	22.5	30.0	16.2	18.8	179.0
Industry and Trade	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Energy and Mining	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transportation	12.0	0.0	0.0	0.0	0.0	0.0	12.0
Water, Sanitation and Flood Protection	31.5	30.0	22.5	30.0	16.2	18.8	149.0
Total Commitments	150.0	150.0	150.0	150.0	135.0	125.0	860.0

Source: BW 2a.1 as of May 2008.

Annex Table 4a-Part 2: Uganda: World Bank Commitments by Sector for PRSCs (percentages), FY01-07

Sector	FY01 PRSC 1	FY03 PRSC 2	FY04 PRSC 3	FY05 PRSC 4	FY06 PRSC 5	FY07 PRSC 6	FY01-07 PRSC 1-6
Agriculture, Fishing and Forestry	0.0	0.0	15.0	20.0	12.0	5.0	8.7
Public Administration, Law, and Justice	29.0	20.0	40.0	20.0	52.0	50.0	34.4
Information and Communications	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Education	21.0	20.0	15.0	20.0	12.0	15.0	17.3
Finance	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health and Other Social Services	21.0	40.0	15.0	20.0	12.0	15.0	20.8
Industry and Trade	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Energy and Mining	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transportation	8.0	0.0	0.0	0.0	0.0	0.0	1.4
Water, Sanitation and Flood Protection	21.0	20.0	15.0	20.0	12.0	15.0	17.3
Total Commitments	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: BW 2a.1 as of May 2008.

Annex Table 4b: Uganda: AfDB Commitments by Sector (in UA million), FY02-07

Sector	FY02	FY03	FY04	FY05	FY06	FY07	FY02-07
Agriculture and Rural development	48.5	0.0	48.2	0.0	0.0	30.0	126.7
Social	0.0	0.0	0.0	20.0	20.0	0.0	40.0
Transport	0.0	0.2	0.0	28.5	33.0	58.0	119.7
Water and Sanitation	0.0	0.0	18.4	40.0	0.0	0.0	58.4
Industry	5.3	0.0	5.4	0.0	0.0	0.0	10.7
Power	0.0	0.0	0.0	0.0	0.0	86.9	86.9
Multi-sector	40.6	0.0	9.0	0.0	0.0	0.0	49.6
Total Commitments	94.5	0.2	80.9	88.5	53.0	174.9	492.0

Annex Table 4b: Uganda: AfDB Commitments by Sector (percentages), FY02-07

Sector	FY02	FY03	FY04	FY05	FY06	FY07	FY02-07
Agriculture and Rural development	51.4	0.0	59.5	0.0	0.0	17.2	25.8
Social	0.0	0.0	0.0	22.6	37.7	0.0	8.1
Transport	0.0	100.0	0.0	32.2	62.3	33.2	24.3
Water and Sanitation	0.0	0.0	22.7	45.2	0.0	0.0	11.9
Industry	5.6	0.0	6.6	0.0	0.0	0.0	2.2
Power	0.0	0.0	0.0	0.0	0.0	49.7	17.7
Multi-sector	43.0	0.0	11.1	0.0	0.0	0.0	10.1
Total Commitments	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Annex A
Statistical Supplement

Annex Table 5a: Uganda-List of World Bank Projects, FY01-07

Project Status	Proj ID		Appr. FY	Sector Board	TL	Net Comm/IDA amount	Latest DO	Latest IP	Latest Risk Rating	Date, Rev Closing	IEG Outcome	IEG Sustainability	IEG ID Impact	Appr. period
Active	P002970	UG-Roads Dev APL (FY99)	1999	Transport	OCAYA	91.0	S	S	#	06/30/2008				A
Active	P059127	UG-Agr Rsrch & Training SIL 2 (FY99)	1999	Rural Sector	GAUTAM	26.0	S	MS	#	06/30/2009				A
Active	P044695	UG-Nat Agr Advisory Svcs SIL (FY01)	2001	Rural Sector	CORNELIUS	45.0	S	MS	#	06/30/2008				B
Active	P050439	UG-Priv & Utility Sec Reform (FY01)	2001	Private Sector Development	SCHLOTTERER	48.5	S	S	#	02/15/2015				B
Active	P070627	Regional Trade Fac. - Uganda	2001	Financial Sector	ARCHONDO	20.0	S	MS	#	06/30/2011				B
Active	P073089	UG-EMCBP SIL 2 (FY01)	2001	Environment	JOHNSON	22.0	S	S	#	06/30/2008				B
Active	P002984	UG-Power SIL 4 (FY02)	2002	Energy and Mining	MISSFELDT-RINGIUS	62.0	MS	MS	#	12/31/2007				B
Active	P065436	UG-Road Dev Phase 2 APL (FY02)	2002	Transport	SHELLING	64.5	S	S	#	06/30/2008				B
Active	P069996	UG-Energy for Rural Transform (FY02)	2002	Energy and Mining	COSGROVE-DAVIES	49.2	S	MS	#	08/31/2008				B
Active	P002952	UG-N Uganda Soc Action Fund (FY03)	2003	Social Protection	NAMARA	100.0	S	MS	#	03/31/2009				B
Active	P065437	UG-PAMSU SIL (FY03)	2003	Environment	JOHNSON	27.0	S	MS	#	12/31/2007				B
Active	P079925	UG-Natf Re Dev TAL (FY04)	2004	Energy and Mining	SHELDON	25.0	S	S	#	06/30/2009				C
Active	P074079	UG-Road Dev APL 3 (FY05)	2005	Transport	SHELLING	107.6	MS	U	#	12/31/2009				B
Active	P083809	Priv Sec Competitiveness 2	2005	Private Sector Development	WONG	70.0	MS	MS	#	07/31/2010				C
Active	P050440	UG-Pub Serv Perform Enhance (FY06)	2006	Public Sector Governance	MORIN	70.0	MU	MU	#	12/31/2011				D
Active	P086513	UG-Millennium Science Init (FY06)	2006	Education	CRAWFORD	30.0	S	S	#	12/31/2011				D
Active	P069208	UG - Power Sector Dev. Project (FY07)	2007	Energy and Mining	COSGROVE-DAVIES	300.0	S	S	#	07/31/2011				D
Closed	P002929	UG POWER III	1991	Energy and Mining	DUNCAN	144.9	S	S	M	12/31/2001	MODERATELY UNSAT	UNLIKELY	MODEST	A
Closed	P002938	AGRIC. RES & TRG. PHASE I	1993	Rural Sector	OUSUMBIING	25.2	S	S	N	09/30/2000	SATISFACTORY	NON-EVALUABLE	SUBSTANTIAL	A
Closed	P002953	PRIMARY EDUC. & TEAC	1993	Education	MURPHY	52.1	S	HS	N	06/30/2001	MODERATELY SAT	LIKELY	SUBSTANTIAL	A
Closed	P002957	UG-Small Towns Water (BD FY94)	1994	Water Supply and Sanitation	ALEMU	40.9	S	S	M	06/30/2003	SATISFACTORY	LIKELY	HIGH	A
Closed	P002923	TRANSPORT REHABILITATION PROJECT	1994	Transport	KAMHI	53.3	S	S	M	12/31/2000	SATISFACTORY	LIKELY	SUBSTANTIAL	A
Closed	P002963	Sexually Transmitted Infections	1994	Health, Nutrition and Population	OKWERO	48.9	S	S	S	12/31/2002	MODERATELY UNSAT	LIKELY	SUBSTANTIAL	A
Closed	P002977	Cotton Subsector Development Project	1994	Rural Sector	CORNELIUS	13.8	S	S	M	12/31/2001	SATISFACTORY	HIGHLY LIKELY	HIGH	A
Closed	P002971	District Health	1995	Health, Nutrition and Population	OKWERO	40.5	S	S	S	12/31/2002	UNSATISFACTORY	LIKELY	SUBSTANTIAL	A
Closed	P002976	INST. CAPACITY BLDG	1995	Public Sector Governance	GIRISHANKAR	33.4	S	S	M	06/30/2002	SATISFACTORY	HIGHLY LIKELY	SUBSTANTIAL	A
Closed	P037582	AG SEC MGT PROJECT	1996	Rural Sector	DEJENE	17.9	S	S	S	12/31/2001				A
Closed	P002978	EMCBP	1996	Environment	JOHNSON	9.3	S	S	M	06/30/2001	SATISFACTORY	LIKELY	SUBSTANTIAL	A
Closed	P035634	PRIV. SECTOR COMPETI	1996	Private Sector Development	FYE	8.1	S	S	M	12/31/2002	SATISFACTORY	LIKELY	HIGH	A
Closed	P046836	UG-Lake Victoria Env SIL (FY97)	1997	Environment	CHENGULA	15.8	MS	S	#	12/31/2005	MODERATELY SAT	LIKELY	SUBSTANTIAL	A
Closed	P002987	SAC III	1997	Economic Policy	BLAKE	144.4	S	S	S	12/31/2001	MODERATELY SAT	LIKELY	MODEST	A
Closed	P049543	UG-Road Sec & Inst Supt (FY98)	1998	Transport	OCAYA	30.0	S	S	#	12/31/2007				A
Closed	P002972	UG EDUC SECTOR ADJ CRED	1998	Education	MURPHY	151.8	S	S	N	12/31/2000	SATISFACTORY	LIKELY	SUBSTANTIAL	A
Closed	P040551	UG-Child Nutrition Dev SIL (FY98)	1998	Health, Nutrition and Population	BERTONCINO	32.7	MS	MU	#	06/30/2005	MODERATELY UNSAT	UNLIKELY	SUBSTANTIAL	A
Closed	P057007	UG-EL NINO EMERG RD REP	1998	Transport	BRUSHETT	6.5	S	S	N	01/31/2004	SATISFACTORY	LIKELY	MODEST	A
Closed	P002941	ICB-PAMSU	1999	Rural Sector	JOHNSON	12.0	S	S	M	12/31/2002	MODERATELY SAT	LIKELY	SUBSTANTIAL	A
Closed	P059223	UG-Nakububu Channel Rehab SIL (FY99)	1999	Urban Development	MORRELL	21.7	S	S	N	06/30/2004	SATISFACTORY	LIKELY	MODEST	A
Closed	P044213	FIN MKTS ASSISTANCE	1999	Financial Sector	BYAMUKAMA	0.0	S	U	M	09/30/2003	NOT RATED	NOT APPLICABLE	NOT RATED	A
Closed	P069840	Power III Supplemental	2000	Energy and Mining	DUNCAN	33.0	#	#	#	#				A
Closed	P002992	UG-Loc Govt Dev Prgm SIL (FY00)	2000	Public Sector Governance	MORRELL	73.8	S	S	M	06/30/2004	SATISFACTORY	UNLIKELY	SUBSTANTIAL	A
Closed	P044679	UG-Econ & Fin Mgmt (FY00)	2000	Public Sector Governance	MORRELL	50.2	S	S	#	12/31/2006	SATISFACTORY	#	#	A
Closed	P072482	UG-HIV/AIDS Control SIL (FY01)	2001	Health, Nutrition and Population	OKWERO	47.5	MS	S	#	12/31/2006	MODERATELY UNSAT	#	#	B
Closed	P073346	Oil Shock Supplemental - SAC III	2001	Economic Policy	KAHKONEN	25.4	#	#	#	#				A
Closed	P050438	UG-PRSC 1 (FY01)	2001	Public Sector Governance	KAHKONEN	147.7	S	S	S	03/31/2002	MODERATELY SAT	NON-EVALUABLE	MODEST	B
Closed	P074078	UG-Makerere Pil Decentr Svc Del (FY02)	2002	Education	CRAWFORD	5.0	S	S	#	12/31/2006	SATISFACTORY	#	#	B
Closed	P074777	UG-Loc Gov Dev 2 (FY03)	2003	Public Sector Governance	ONYACH-OLAA	125.0	S	S	#	12/31/2007				B
Closed	P077406	UGANDA LVEIMP Supplemental	2003	Environment	KAGUAMBA	4.5	#	#	#	#				A
Closed	P073671	UG-PRSC II	2003	Poverty Reduction	CANAGARAJAH	169.4	S	S	S	06/30/2003	MODERATELY SAT	NON-EVALUABLE	MODEST	B
Closed	P083597	UGANDA - EFMP II - Supplemental	2004	Public Sector Governance	MORRELL	14.6	#	#	#	#				A
Closed	P074081	UG-PRSC 3 (FY04)	2004	Public Sector Governance	BOCCARA	152.9	S	S	S	09/30/2004	MODERATELY SAT	NON-EVALUABLE	MODEST	C
Closed	P074082	UG-PRSC 4 (FY05)	2005	Poverty Reduction	KIM	155.3	S	S	S	09/30/2005	MODERATELY UNSAT	LIKELY	SUBSTANTIAL	C
Closed	P090881	UG-PRSC 5 (new series)	2006	Poverty Reduction	KIM	135.0	S	S	#	11/30/2006				D
Closed	P090219	UG-PRSC 6 DPL (FY07)	2007	Poverty Reduction	KIM	125.0	#	#	#	11/30/2008				D

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Annex Table 5b: Uganda-List of AfDB Projects, FY02-07

Project Status	SAP/Proj. #	Project Title	Approval date	Sector	Task Manager	Amount approved UA m	Appr. in Period
Active	P-UG-AA0-020	Rural Microfinance Support Project (RMSP)	11/24/1999	Social	YAHIE Abdullahi Moha	14.9	Before 2002
Active	P-UG-IAZ-001	Northwest Smallholder Agricultural Development	12/15/1999	Agr. and Rural dev.	KABYEMERA Justus Jos	17.6	Before 2002
Active	P-UG-IE0-002	Area-Based Agricultural Modernisation Programme	09/13/2000	Agr. and Rural dev.	KABYEMERA Justus Jos	9.7	Before 2002
Active	P-UG-AA0-014	Support To The ESIP (Education II Project)	12/21/2000	Social	SAVADOGO Boukary	22.4	Before 2002
Active	P-UG-AAF-002	Fisheries Development Project	06/12/2002	Agr. and Rural dev.	OMOLUABI Abodunrin C	22.0	CSP 02-04
Active	P-UG-BC0-001	Sheraton Kampala Hotel	09/18/2002	Industry	M'PENG BAYOI Daniel	5.3	CSP 02-04
Active	P-UG-AA0-019	Live stock productivity improvement project.	12/04/2002	Agr. and Rural dev.	TAWAH Chi Lawrence	26.5	CSP 02-04
Active	P-UG-AAC-001	Farm Income Enhancement proj.	09/29/2004	Agr. and Rural dev.	OMOLUABI Abodunrin C	41.4	CSP 02-04
Active	P-UG-BA0-001	Sustainable management of mineral Resources	09/29/2004	Industry	AMU O. M	5.4	CSP 02-04
Active	P-UG-KF0-003	Institutional support proj. for good governance	11/17/2004	Multi-sector	MUTONGA Jeremiah	9.0	CSP 02-04
Active	P-UG-E00-002	Small Towns Water & Sanitation proj.	11/24/2004	Water and Sanitation	ASSEFAW Mecuria	18.4	CSP 02-04
Active	P-Z1-AZ0-006	Creation of Sustainable Tsetse	12/08/2004	Agr. and Rural dev.	TAWAH Chi Lawrence	6.8	CSP 02-04
Active	P-UG-IAZ-002	Education III Project -support to post primary	12/19/2005	Social	SAVADOGO Boukary	20.0	UJAS 05-07
Active	P-UG-E00-005	Rural Water Supply & Sanitation Program	12/19/2005	Water and Sanitation	ASSEFAW Mecuria	40.0	UJAS 05-07
Active	P-UG-AB0-001	Community Agricultural Infrastructure	01/31/2007	Agr. and Rural dev.	Chiji Chinedum OJUKWU	30.0	UJAS 05-07
Active	P-UG-FA0-002	Bujagali Interconnection Project	06/28/2007	Power	Hemchand Rai HEEROO & FARAH A.	19.2	UJAS 05-07
Active	P-UG-FAB-004	Bujagali Hydropower Project	05/02/2007	Power	FARAH Hassan	67.7	UJAS 05-07
Active	P-UG-DB0-018	Road Sector Support Project II	12/17/2007	Transport	BABALOLA Abayomi	58.0	UJAS 05-07
Closed	P-UG-IBC-003	Health Services Rehabilitation Project	12/18/1989	Social	SARR Baboucar Sulay	30.3	Before 2002
Closed	P-UG-IAE-001	Streng of Scien - Tech Teach Educ Proj	08/28/1990	Social	SARR Baboucar Sulay	14.2	Before 2002
Closed	P-UG-DB0-001	Rural Feeder Roads Maintenance Programme	10/30/1991	Transport	BABALOLA Abayomi	18.1	Before 2002
Closed	P-UG-FA0-001	Urban Power Rehabilitation Project	11/06/1996	Power	RAM Babu	18.0	Before 2002
Closed	P-UG-K00-002	Second Structural Adjustment Loan	07/16/1997	Multi-sector	PITAMBER Sunita	27.8	Before 2002
Closed	P-UG-DB0-013	Kyotera-Mulukula Upgrading Project	09/17/1998	Transport	BABALOLA Abayomi	8.3	Before 2002
Closed	P-UG-KF0-002	Institutional Support To External Aid Coordination	12/16/1998	Multi-sector	PITAMBER Sunita	1.5	Before 2002
Closed	P-UG-E00-003	Rural Towns Water Supply and Sanitation Study	05/17/2000	Water and Sanitation	NJUGUNA Peter Ephrai	1.6	Before 2002
Closed	P-UG-DB0-014	Roads Maintenance And Upgrading Project	09/13/2000	Transport	BABALOLA Abayomi	15.0	Before 2002
Closed	P-UG-IBA-001	Support to Health Sector Strategic Plan	09/13/2000	Social	BA Bineta	20.0	Before 2002
Closed	P-UG-FZ0-001	Alt Energy Resources Assess and Utilization Study	10/18/2000	Power	RAM Babu	1.7	Before 2002
Closed	P-UG-K00-006	Poverty reduction support loan	10/16/2002	Multi-sector	PITAMBER Sunita	40.5	CSP 02-04
Closed	P-UG-DB0-015	Transport sector Development Programme	01/10/2003	Transport	BABALOLA Abayomi	0.2	CSP 02-04
Closed	P-UG-DB0-017	Road Sector Support Project	04/27/2005	Transport	BABALOLA Abayomi	28.5	UJAS 05-07
Closed	P-UG-IB0-003	Support to Health Sector Strategic Plan	11/08/2006	Social	BA Binta	20.0	UJAS 05-07
Closed	P-UG-DB0-019	Road Sector Support Project (Supplement)	12/20/2006	Transport	BABALOLA Abayomi	33.0	UJAS 05-07

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Annex Table 6: Uganda – World Bank Economic and Sector Work, FY01-07

FY	Proj ID	ID/Report number	Sector Board	TL	Appr. Period
FY01	REV OF URB WATER PSP	P056562	Urban Development	LOCUSSOL	B
	LAND REFORM	P061861	Environment	BRUCE	B
	CTRY FRAMEWORK PAPER	P064518	Private Sector Development	SOREL	B
	UGANDA BOOK	P067111	Economic Policy	REINIKKA	B
	AGR MODERNIZATION	P067112	Environment	DONOVAN	B
	Uganda-CFAA	P074475 /25733	Financial Management	HEGARTY	B
	Uganda - CPAR	P075089	Procurement	KAYANI	B
FY02	Health Tracking	P071279	Health, Nutrition and Population	REINIKKA	B
	Uganda PER	P072181	Public Sector Governance	CANAGARAJAH	B
	Uganda FSAP	P074285	Financial Sector	MURGATROYD	B
	Budget and Medium Term Expenditure	P076756	Poverty Reduction	REINIKKA	B
FY03	Post-primary Education Sector Work	P073759	Education	LIANG	B
	UG:Debt SUSTAINABILITY(DONOTUSE)	P075430	Economic Policy	KAHKONEN	B
	HIPC Tracking Update	P078561	Economic Policy	CANAGARAJAH	B
	Public Expenditure Review: Report on the progress and challenges of budget reforms	24882	Public Sector Governance	CANAGARAJAH	B
FY04	2003 PER	27135		CANAGARAJAH	B
	Uganda-Strategic Country Gender Assessme	P078153	Gender and Development	BLACKDEN	C
	UG-Export Grwth & Competitiveness (FY04)	P078571	Economic Policy	WONG	C
	UG-Health Sector Performance (FY04)	P080605	Health, Nutrition and Population	CHAO	C
	RPED-Uganda Investment Climate Assesmen	P080973	Private Sector Development	MBUYI	C
	UGANDA: Trade Export Competitiveness	P082772	Economic Policy	KRAUS	C
	UG-PER/CFAA/CPAR/LGIFA (FY04)	P083315	Public Sector Governance	CANAGARAJAH	C
	Tertiary Education Sector Report	P084486	Education	LIANG	C
	UGANDA CFAA (Integrated with P083315)	P086031	Financial Management	KOEN	C
	UGANDA CPAR (Integrated with P083315), 3 volumes	P086295	Procurement	KAYANI	C
	Uganda PRSC Stocktaking	P087571	Economic Policy	MURPHY	C
FY05	Uganda Poverty-Nat Res Mgmt Analysis	P081862	Environment	HAMILTON	C
	UG-Poverty Assessment (FY05)	P087506	Poverty Reduction	FOX	C
	GPOBA-SL3: UEDC Transit Tariff (FY05)	P088818	Private Sector Development	RASMUSSEN	C
	UG-PER (FY05)	P090217	Public Sector Governance	KIM	C
	UG-Wir Sup Deliv Impact Asmt (FY05)	P090964	Water Supply and Sanitation	BROWN	C
	UG-ROSC AAR Report (FY05)	P091017	Financial Management	KOEN	C
	FSAP Update Uganda	P091045	Financial Sector	FUCHS	C
	UG-Conflict Analysis Policy Note (FY05)	P092393	Social Development	HARBORNE	C
	AML/CFT Assessment Uganda	P093660	Financial Sector	GREENBERG	C
	LKD Uganda Legal & Judicial Sector Assmt	P093773	Sector Board not Applicable	KANE	C
FY06	UG-DTIS (FY06)	P090242	Economic Policy	KRAUS	D
	UG-Debt Sustainability Analysis (FY06)	P086142	Economic Policy	KIM	D
	Uganda - Insolvency ROSC	P094114	Financial Sector	ROUILLON	D
	UG-FINANCIAL SECTOR FOLLOW-UP	P096281	Financial Sector	RUPAREL	D
FY07	UG-PER (FY07)	P078025	Public Sector Governance	MEROTTO	D
	UG-CIDA Health Systems Support (FY07)	P078591	Health, Nutrition and Population	OKWERO	D
	UG-CEM (FY06)	P090218	Economic Policy	MEROTTO	D
	UG-Northern Uganda Review	P101771	Economic Policy	MPUGA	D

Note: A=Pre-2000 CAS Period, B=CAS Period, C=Extended CAS Period, D=UJAS Period.

Source: BW 1.4 as of May 2008.

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Annex Table 7-Part 1: Uganda- Cost of World Bank Programs, FY01-07 (US\$ Thousands)

Cost Category	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY01-07
(Actual)								
Uganda								
Country Services	7,324	5,687	5,474	6,768	7,164	7,799	6,836	47,053
Project Supervision	2,732	2,432	2,892	3,183	3,100	2,820	2,343	19,503
Lending	2,754	2,240	1,524	1,857	2,042	1,824	2,138	14,379
AAA (total)	1,133	553	836	1,313	1,562	2,658	1,993	10,048
AAA (ESW)	699	306	702	1,276	1,494	2,465	1,801	8,743
AAA (TA + aid coord)	434	248	133	37	67	193	193	1,305
Other	705	462	222	415	461	497	361	3,123
Africa Region								
Country Services	190,138	185,028	217,032	226,026	213,965	209,171	223,794	1,465,154
Project Supervision	42,687	39,965	44,119	48,750	53,780	56,656	65,570	351,526
Lending	66,361	56,970	65,014	65,425	51,983	47,990	48,066	401,808
AAA (total)	51,375	59,889	74,953	74,534	66,613	67,729	70,573	465,667
AAA (ESW)	14,500	20,075	26,000	34,699	35,883	35,444	39,085	205,686
AAA (TA + aid coord)	36,875	39,814	48,953	39,836	30,730	32,285	31,488	259,981
Other	29,714	28,204	32,946	37,317	41,589	36,797	39,585	246,153

Source: BW 4.0 as of May, 2008.

Annex Table 7-Part 2: Cost of World Bank Programs for Uganda and Comparison Countries FY01-07, (US\$ Thousands)

	Total	Supervision	Lending	AAA (total)	AAA (ESW)	AAA (TA + aid coord)	Other
Uganda	47,053	19,503	14,379	10,048	8,743	1,305	3,123
Kenya	44,135	12,386	14,502	12,512	8,401	4,110	4,735
Ethiopia	51,614	19,853	16,127	11,818	10,725	1,093	3,816
Malawi	27,866	10,623	8,382	7,061	4,249	2,812	1,799
Ghana	35,523	14,309	10,097	7,855	5,369	2,486	3,262
DRoC	28,140	7,718	9,366	7,643	1,987	5,513	3,413
Tanzania	53,611	20,358	17,968	10,980	9,971	1,009	4,305
Burundi	15,626	4,812	5,208	4,519	2,629	1,889	1,087
Africa Region	1,465,154	351,526	401,808	465,667	205,686	259,981	246,153
Bank Wide	5,207,822	1,414,139	1,286,719	1,581,854	902,717	679,137	925,111
Cost Structure by Percentage							
	Total	Supervision	Lending	AAA (total)	AAA (ESW)	AAA (TA + aid coord)	Other
Uganda	100	41	31	21	19	3	7
Kenya	100	28	33	28	19	9	11
Ethiopia	100	38	31	23	21	2	7
Malawi	100	38	30	25	15	10	6
Ghana	100	40	28	22	15	7	9
DRoC	100	27	33	27	7	20	12
Tanzania	100	38	34	20	19	2	8
Burundi	100	31	33	29	17	12	7
Africa Region	100	24	27	32	14	18	17
Bank Wide	100	27	25	30	17	13	18

Note: These tables include both Bank Budget and Trust Funds.

Source: BW 4.0 as of May, 2008.

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Annex Table 8a: Uganda- World Bank Evaluation Findings by Sector Board (Exit Year 2001-2007)

Sector Board	Total Net Commitments Evaluated (\$M)	Outcome % Satisfactory (\$)	IDI % Substantial (\$)	Sustainability % Likely (\$)
Agriculture and Rural Development	51.0	100.0	100	100.0
Economic Policy	144.4	100.0	0	100.0
Education	209.6	100.0	100	100.0
Energy and Mining	144.9	0.0	0	0.0
Environment	25.2	100.0	100	100.0
Financial and Private Sector Development	8.1	100.0	100	100.0
Health, Nutrition and Population	175.2	0.0	100	73.2
Poverty Reduction	324.7	52.2	48	100.0
Public Sector Governance	458.0	100.0	26	31.2
Transport	59.8	100.0	89	100.0
Urban Development	21.7	100.0	0	100.0
Water	40.9	100.0	100	100.0
Uganda Total	1,664	71.4	49.3	76.3
Africa Region	18,380	69.0	42.8	68.9
Bank Wide	127,818	81.7	55.4	82.6

Source: BW 4a.5 as of May, 2008.

Note: Ratings are weighted by commitments; IDI= Institutional development impact

Annex Table 8b: AfDB Summary Findings of Evaluated Projects, 2001-2008

Items	Evaluated		% Satisfactory Outcome		% Substantial Institutional Development Impact		% Likely Sustainability	
	UA M	No	Amt	No	Amt	No	Amt	No
Uganda	247.0	11	72	73	69	73	72	73
East Region	732.6	33	55	61	45	55	67	67
ADF Bank Wide	2366.3	136	49	50	45	49	54	55
Bank Wide	4625.9	171	75	61	69	58	76	64
Total Proj. /Average								

Annex Table 9: Uganda - Portfolio Status Indicators, FY01-07, (US\$ Million)

Country	2001	2002	2003	2004	2005	2006	2007
Uganda							
# Proj	24	23	21	19	20	21	18
Net Comm Amt	1,209.6	864.5	961.2	886.9	1,030.5	1,113.9	1,292.8
# Proj At Risk	1	2	1	6	7	1	2
% At Risk	4.2	8.7	4.8	31.6	35.0	4.8	11.1
Comm At Risk	158.0	95.0	20.0	260.6	336.1	91.0	161.0
% Commit at Risk	13.1	11.0	2.1	29.4	32.6	8.2	12.5
Kenya							
# Proj	14	13	12	11	12	12	15
Net Comm Amt	804.3	701.0	762.7	629.7	619.7	594.7	901.8
# Proj At Risk	3	5	5	5	2	4	2
% At Risk	21.4	38.5	41.7	45.5	16.7	33.3	13.3
Comm At Risk	187.8	421.5	342.8	290.0	90.0	92.7	55.1
% Commit at Risk	23.4	60.1	44.9	46.1	14.5	15.6	6.1
Ethiopia							
# Proj	17	18	19	20	22	22	21
Net Comm Amt	1,814.0	1,710.1	1,844.5	1,941.4	1,614.2	2,010.6	1,990.3
# Proj At Risk	3	1	1	3	3	3	2
% At Risk	17.6	5.6	5.3	15.0	13.6	13.6	9.5
Comm At Risk	259.7	59.7	4.9	33.0	217.7	69.0	115.0
% Commit at Risk	14.3	3.5	0.3	1.7	13.5	3.4	5.8
Malawi							
# Proj	11	9	11	11	12	10	11
Net Comm Amt	399.3	287.7	412.2	371.8	369.0	316.8	371.8
# Proj At Risk	2	3	1	1	4	3	1
% At Risk	18.2	33.3	9.1	9.1	33.3	30.0	9.1
Comm At Risk	60.6	44.3	15.0	48.2	132.6	82.9	60.0
% Commit at Risk	15.2	15.4	3.6	13.0	35.9	26.2	16.1
Ghana							
# Proj	23	21	17	14	16	16	14
Net Comm Amt	1,045.8	1,207.7	878.3	860.3	1,024.3	1,079.3	810.1
# Proj At Risk	2	1	3	3	3	3	2
% At Risk	8.7	4.8	17.6	21.4	18.8	18.8	14.3
Comm At Risk	52.9	5.0	92.1	149.5	293.1	315.6	82.0
% Commit at Risk	5.1	0.4	10.5	17.4	28.6	29.2	10.1
DROc							
# Proj		2	2	7	8	8	10
Net Comm Amt		500.0	504.0	1,240.0	1,332.0	1,407.0	1,737.0
# Proj At Risk		0	0	0	2	3	6
% At Risk		0.0	0.0	0.0	25.0	37.5	60.0
Comm At Risk		0.0	0.0	0.0	160.0	262.0	1,171.0
% Commit at Risk		0.0	0.0	0.0	12.0	18.6	67.4
Africa Region							
# Proj	359	355	343	334	334	351	364
Net Comm Amt	14,408.9	15,182.1	15,793.2	16,387.7	16,364.8	18,310.4	20,737.7
# Proj At Risk	53	93	65	76	97	77	77
% At Risk	14.8	26.2	19.0	22.8	29.0	21.9	21.2
Comm At Risk	2,429.8	4,088.2	2,937.3	3,174.5	4,300.9	3,241.0	3,881.6
% Commit at Risk	16.9	26.9	18.6	19.4	26.3	17.7	18.7
Bank Wide							
# Proj	1,457	1,428	1,395	1,346	1,332	1,345	1,347
Net Comm Amt	106,640.7	102,601.3	94,772.5	92,554.3	93,211.7	92,888.8	97,790.5
# Proj At Risk	184	272	218	228	224	188	224
% At Risk	12.6	19.0	15.6	16.9	16.8	14.0	16.6
Comm At Risk	12,539.2	17,385.4	14,141.5	14,742.1	12,552.7	10,849.8	15,175.6
% Commit at Risk	11.8	16.9	14.9	15.9	13.5	11.7	15.5

Source: WB Business Warehouse Table 3a.4 as of May, 2008.

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Annex Table 10: Uganda- World Bank's Senior Management, CY2000-2007

Year	Vice President	Country Director	Country Manager/ Resident Representative
2000	Callisto Mavado	James Adams	Robert R. Blake
2001	Callisto Mavado	James Adams	Robert R. Blake
2002	Callisto Mavado	Judy O'Connor	Robert R. Blake
2003	Callisto Mavado	Judy O'Connor	Robert R. Blake
2004	Callisto Mavado	Judy O'Connor	Grace M. Yabrudy
2005	Gobind T. Nankani	Judy O'Connor	Grace M. Yabrudy
2006	Gobind T. Nankani	Judy O'Connor	Grace M. Yabrudy
2007	Obiageli K. Ezekwesili	John McIntire	Grace M. Yabrudy

Source: WB Directories 2000-2007

Annex Table 11: Uganda- Millennium Development Goals

	1990	1995	2000	2005
Goal 1: Eradicate extreme poverty and hunger				
Income share held by lowest 20%	..	..	5.7	..
Malnutrition prevalence, weight for age (% of children under 5)	23.0	25.5	23.0	..
Poverty gap at \$1 a day (PPP) (%)	..	..	..	..
Poverty headcount ratio at \$1 a day (PPP) (% of population)	..	..	..	..
Poverty headcount ratio at national poverty line (% of population)	..	..	33.8	37.7
Prevalence of undernourishment (% of population)	24	26	..	19
Goal 2: Achieve universal primary education				
Literacy rate, youth total (% of people ages 15-24)	70	..	..	77
Persistence to grade 5, total (% of cohort)	36	..	57	..
Primary completion rate, total (% of relevant age group)	..	..	58	57
School enrollment, primary (% net)	..	..	..	..
Goal 3: Promote gender equality and empower women				
Proportion of seats held by women in national parliament (%)	12	18	18	24
Ratio of girls to boys in primary and secondary education (%)	81	..	92	96
Ratio of young literate females to males (% ages 15-24)	76	..	..	86
Share of women employed in the nonagricultural sector (% of total nonagricultural employment)	35.6	..	..	..
Goal 4: Reduce child mortality				
Immunization, measles (% of children ages 12-23 months)	52	57	61	86
Mortality rate, infant (per 1,000 live births)	93	92	85	79
Mortality rate, under-5 (per 1,000)	160	156	145	136
Goal 5: Improve maternal health				
Births attended by skilled health staff (% of total)	38	38	39	..
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	880	..
Goal 6: Combat HIV/AIDS, malaria, and other diseases				
Contraceptive prevalence (% of women ages 15-49)	5	15	23	..
Incidence of tuberculosis (per 100,000 people)	161	319	339	369
Prevalence of HIV, female (% ages 15-24)	..	..	..	5.0
Prevalence of HIV, total (% of population ages 15-49)	..	..	..	6.4
Tuberculosis cases detected under DOTS (%)	..	58	49	45
Goal 7: Ensure environmental sustainability				
CO2 emissions (metric tons per capita)	0.0	0.0	0.1	0.1
Forest area (% of land area)	25	..	21	18
GDP per unit of energy use (constant 2000 PPP \$ per kg of oil equivalent)	..	..	..	..
Improved sanitation facilities (% of population with access)	42	..	..	43
Improved water source (% of population with access)	44	..	..	60
Nationally protected areas (% of total land area)	..	..	..	32.6
Goal 8: Develop a global partnership for development				
Aid per capita (current US\$)	37	40	34	42
Debt service (PPG and IMF only, % of exports of G&S, excl. workers' remittances)	78.6	19.5	16.0	10.8
Fixed line and mobile phone subscribers (per 1,000 people)	2	2	8	56
Internet users (per 1,000 people)	0	0	2	17
Personal computers (per 1,000 people)	..	0	2	9
Total debt service (% of exports of goods, services and income)	81.4	19.8	7.8	9.2
Unemployment, youth female (% of female labor force ages 15-24)	..	..	..	..
Unemployment, youth male (% of male labor force ages 15-24)	..	..	..	..
Unemployment, youth total (% of total labor force ages 15-24)	..	..	..	..
Other				
Fertility rate, total (births per woman)	7.2	6.9	7.0	7.1
GNI per capita, Atlas method (current US\$)	320	230	260	280
GNI, Atlas method (current US\$) (billions)	5.6	4.7	6.4	8.0
Gross capital formation (% of GDP)	12.7	12.4	20.0	21.2
Life expectancy at birth, total (years)	46	43	45	50
Literacy rate, adult total (% of people ages 15 and above)	56	..	..	67
Population, total (millions)	17.8	20.9	24.3	28.8
Trade (% of GDP)	26.6	32.6	34.2	40.3

Source: World Development Indicators database, April 2007
Note: Figures in italics refer to periods other than those specified.

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Annex Table 12-1: IFC Investments in Uganda, FY99 – FY08 (US\$ Thousands)

No	Project ID	Project Short Name	Approval FY	Sector Group	Project Size	SME Type	Greenfield Code	Original total commitment	Total net commitment
1	009245	AEF Gomba	1999	Agribusiness	5,000	ME	G	1,400	1,400
2	009839	AEF Ladoto	2000	Agribusiness	2,100	ME	G	800	800
3	009924	CelTel Uganda	2000	Infrastructure	19,500	NA	E	4,700	4,700
4	010006	AEF Kabojja	2001	Education	1,253	SE	G	351	351
5	021854	MAL & UML	2005	Finance	1,000	MI	G	1,000	1,000
6	024070	DFCU III	2005	Finance	10,000	SE	G	10,000	10,000
7	024408	Bujagali Energy	2007	Infrastructure	878,100	NA	G	130,000	130,000
8	024679	DFCU-Tier 2	2007	Finance	6,000	SE	G	6,000	6,000
9	025226	GTFP Orient Bank	2007	Finance	0	NA	E	4,133	4,133
10	026054	CelTel Uganda Li	2007	Infrastructure	40,000	NA	E	20,000	20,000
								178,384	178,384

Source: IFC records as of April 30, 2008

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Annex Table 12-2: IFC Investment Portfolio, FY99 – FY08 (US\$ Thousands)

No.	Project ID	Project Short Name	App FY	Project Status Name	Closure date	Sector Group	Project Size	SME	Original total commitment	Total net commitment
1	691	(SOP) SCU	1983	Closed	04/20/2005	Agribusiness	75000	NA	10,376	10,376
2	723	DEV. FINANCE COM	1984	Closed	05/30/2006	Finance	8500	SE	376	376
3	2929	AEF-CLOVERGEM	1992	Active		Agribusiness	5060	ME	957	957
4	3676	AEF-NILE ROSES	1993	Closed	07/12/2002	Agribusiness	1200	SE	300	300
5	3162	AEF-RWENZORI	1993	Closed	07/18/2003	Cement & Construction	4800	SE	1,000	1,000
6	3460	JUBILEE	1993	Closed	02/08/2005	Finance	500	NA	98	98
7	4525	AEF-POLYPACK	1994	Closed	01/25/2001	Plastics & Rubber	3400	ME	1,000	1,000
8	4011	AEF-SKYBLUE	1994	Closed	09/15/2004	Tourism	1100	SE	510	510
9	4291	CLOVERGEM CELTEL	1994	Closed	04/27/2006	Infrastructure	16000	NA	5,600	5,600
10	3698	DFCU LEASING	1995	Closed	06/05/2002	Finance	1500	SE	2,323	2,323
11	4484	AEF-RAINBOW	1995	Closed	07/21/2004	Education	1900	SE	789	789
12	4120	AEF Agro Mgmt	1996	Active		Chemicals	3500	NA	1,000	950
13	4895	Kasese Cobalt	1996	Closed	09/19/2002	Extractive	110000	NA	19,600	19,600
14	7260	AEF Conrad Plaza	1997	Closed	03/28/2005	Cement & Construction	5050	SE	1,500	1,500
15	7640	AEF Kiwa Indust	1997	Closed	06/03/2005	Cement & Construction		NA	250	250
16	8136	Tilda Uganda	1998	Active		Agribusiness	6433	NA	2,400	1,900
17	8727	AEF Mosa Court	1998	Closed	02/15/2005	Cement & Construction	2900	SE	800	800
18	8726	AEF Exec. Invmnt	1998	Closed	03/28/2005	Cement & Construction	3100	SE	1,000	1,000
19	9057	AEF White Nile	1998	Closed	01/31/2008	Agribusiness	657	SE	300	300
20	9245	AEF Gomba	1999	Active		Agribusiness	5000	ME	1,400	1,400
21	9839	AEF Ladoto	2000	Closed	02/15/2006	Agribusiness	2100	ME	800	800
22	9924	CelTel Uganda	2000	Closed	04/27/2006	Infrastructure	19500	NA	4,700	4,700
23	10006	AEF Kabojja	2001	Closed	04/27/2006	Education	1253	SE	351	351
24	21854	MAL & UML	2005	Active		Finance	1000	MI	1,000	1,000
25	24070	DFCU III	2005	Active		Finance	10000	SE	10,000	10,000
26	24408	Bujagali Energy	2007	Active		Infrastructure	878100	NA	130,000	130,000
27	24679	DFCU-Tier 2	2007	Active		Finance	6000	SE	6,000	6,000
28	25226	GTFP Orient Bank	2007	Active		Finance		NA	4,133	4,133
29	26054	CelTel Uganda Li	2007	Active		Infrastructure	40000	NA	20,000	20,000
									228,563	228,013

Source: IFC records as of April 30, 2008

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Annex Table 12-3: Sector Breakdown of IFC Investments in Uganda and its Neighboring Countries, FY99 – FY08 (US\$ Thousands)

Sector Group	Ghana			Kenya			Tanzania, United Republic of			Uganda		
	#	US\$'000	Share, %	#	US\$'000	Share, %	#	US\$'000	Share, %	#	US\$'000	Share, %
Agribusiness	1	12,500.0	6.6	6	5,843.9	3.1	4	13,550.0	16.8	2	2,200.0	1.2
Cement & Construction	1	6,000.0	3.2	1	7,300.0	3.9			0.0			0.0
Chemicals	1	400.0	0.2	3	35,500.0	19.1			0.0			0.0
Education	3	2,859.4	1.5	2	854.1	0.5			0.0	1	351.0	0.2
Extractive	1	75,000.0	39.6			0.0	1		0.0			0.0
Finance	7	46,136.5	24.4	7	26,958.2	14.5	5	19,285.5	23.9	4	22,564	11.8
Funds			0.0	1	5,000.0	2.7			0.0			0.0
Industrial products			0.0	1	11,500.0	6.2			0.0			0.0
Infrastructure	2	40,000.0	21.1	10	72,119.0	38.9	1	44,000.0	54.6	3	154,700.0	86.7
Pulp & Paper	1	1,700.0	0.9			0.0			0.0			0.0
Tourism			0.0	2	20,500.0	11.0	4	3,700.0	4.6			0.0
Trade	1	4,700.0	2.5			0.0			0.0			0.0
Grand Total	18	189,295.9	100.0	33	185,575.2	100.0	15	80,535.5	100.0	10	178,384.3	100.0

Source: IFC records as of April 30, 2008

Annex Table 12-4: IFC Advisory Services in Uganda, FY99 – FY08

No.	Project ID	Project Name	APP FY	Primary Business Line	Project Status	Total Funding, US\$
1		Uganda Telecom Limited	FY98	Infrastructure	Closed	..
1		Environmental Sector Strategy-Bujagali	FY00	Infrastructure	Closed	180,000
1	504521	Bujagali Hydropower Projects	FY00	Infrastructure	Closed	25,000
1	504987	Rural Electrification Development Project	FY01	Infrastructure	Closed	270,553
1	530851	Housing Sector Study	FY04	Business Enabling Environment	Closed	150,000
1	521012	Uganda Village Phone Grameen	FY05	Infrastructure	Closed	190,000
1	537272	Housing Sector Study and Assessment	FY05	Access To Finance	Closed	145,040
1	537645	Bujagali II-TA-Economic Analysis	FY06	Infrastructure	Active	750,000
1	541103	Uganda Small Scale Infrastructure Project : Electricity	FY08	Infrastructure	Active	600,000
1	546265	GEM Uganda GGA Coalition	FY07	Business Enabling Environment	Active	90,000
1	547925	GEM Business Skills Curriculum for Women Entrepreneurs	FY07	Access To Finance	Active	166,650
1	548345	Gender Entrepreneurship Markets DFCU Technical Assistance	FY07	Access To Finance	Active	151,746
1	553485	Uganda Primary Mortgage Market Initiative	FY07	Access To Finance	Active	1,630,000
1	558245	Uganda Investor Outreach Program	FY07	Business Enabling Environment	Active	456,000
1	560987	Uganda Small Scale Infrastructure Project : Water	FY08	Infrastructure	Active	1,307,146
1	549746	PEP SME-EDI (5 initiatives)	FY08	Value Addition To Firms	Active	270,749
16						6,382,884

Source: TAAS database as of April 30, 2008 and other IFC databases

No.	Project ID	Project Name	APP FY	Primary Business Line	Project Status	Total Funding, US\$
1		AMCU Consultants Database design		Value Addition To Firms	Closed	13,500
1		Uganda Private Water Operators Workshop		Value Addition To Firms	Closed	20,425
1		Uganda Private Water Operators Finance		Value Addition To Firms	Closed	4,800
1		DFCU SMEs Growth Project		Value Addition To Firms	Closed	115,000
1		Celltel Dealers Finance & Advisory services		Value Addition To Firms	Active	117,024
5						270,749

Source: PEP SME-EDI

No.	Project ID	Project Name	APP FY	Primary Business Line	Project Status	Total Funding, US\$
1	580	Administrative Barriers Update	FY04	Administrative Barriers	Closed	198,692
1	581	Gender and Growth assesment	FY05	Investment Climate	Closed	192,620
2						391,312

Source: FIAS

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Annex Table 12-5: Business Line Breakdown of IFC Advisory Services in Uganda and Its Neighboring Countries, FY05 – FY08

Primary Business Line	Ghana			Kenya			Tanzania, United Republic of			Uganda		
	#	US\$	Share, %	#	US\$	Share, %	#	US\$	Share, %	#	US\$	Share, %
Access To Finance	5	3,829,000	30.2	3	599,000	2.4	5	2,509,000	37.3	4	2,093,436	38.2
Business Enabling Environment			0.0	8	5,282,910	21.1	1	138,665	2.1	2	546,000	10.0
Environment and Social Sustainability	2	2,820,790	22.2	11	4,270,243	17.0	3	817,508	12.1			0.0
Infrastructure	3	1,822,721	14.4	5	7,298,465	29.1	2	1,590,000	23.6	4	2,847,146	51.9
Value Addition to Firms	2	2,160,000	17.0	9	6,607,047	26.4	2	1,680,000	24.9			0.0
..	1	2,050,000	16.2	1	1,000,000	4.0			0.0			0.0
Grand Total	13	12,682,511	100.0	37	25,057,665	100.0	13	6,735,173	100.0	10	5,486,582	100.0

Source: IFC records as of April 30, 2008

Annex Table 12-6: IFC Disbursed and Committed Balance in Uganda and Countries with Similar Level of Country Risk

Country	FY99-FY08 Average IICCR scores	Total disbursed YTD (US\$)	IFC Committed Balance at end Apr 08 (US\$)
Uzbekistan	21.1	41,615,567	9,562,908
Yemen	21.2	55,862,181	134,018,495
Laos	21.5	16,797,000	15,130,396
Mozambique	22.5	155,543,623	94,689,501
Nigeria	22.8	794,550,599	706,953,454
Uganda	23.0	97,098,595	168,360,467
Tanzania	23.2	95,485,237	89,865,112
Gabon	23.7	111,000,000	30,000,000
Nepal	24.6	67,657,089	28,986,185
Serbia & Montenegro	24.8	474,986,390	353,010,088
Ecuador	25.2	145,272,826	55,205,212
Kenya	25.3	337,858,674	176,967,328
Pakistan	25.8	1,167,387,979	641,194,809
Ghana	29.4	238,365,612	185,876,853

Note: Balance at end of April 30, 2008

Source: IICCR database, IFC records

Annex Table 12-7: FDI Inflows into Uganda and its Neighboring Countries

Country	FDI Net Inflows (BOP, US\$M)			FDI Net Inflows per capita, US\$	FDI Net Inflows as a percentage of GDP (%)
	2005	2006	2007	Average 1999-2007	Average 1999-2007
Tanzania	448	475	430	103.7	3.6%
Uganda	246	374	433	71.8	2.8%
Ghana	145	319	470	81.8	2.3%
Kenya	21	56	85	13.8	0.3%

Source: World Bank Data

Annex B: Guide to IEGWB's Country Assistance Evaluation Methodology

1. This methodological note describes the key elements of IEGWB's country assistance evaluation (CAE) methodology.¹

CAEs rate the outcomes of Bank assistance programs, not the Clients' overall development progress

2. A Bank assistance program needs to be assessed on how well it met its particular objectives, which are typically a subset of the Client's development objectives. If a Bank assistance program is large in relation to the Client's total development effort, the program outcome will be similar to the Client's overall development progress. However, most Bank assistance programs provide only a fraction of the total resources devoted to a Client's development by donors, stakeholders, and the government itself. In CAEs, IEGWB rates only the outcome of the Bank's program, not the Client's overall development outcome, although the latter is clearly relevant for judging the program's outcome.

3. The experience gained in CAEs confirms that Bank program outcomes sometimes diverge significantly from the Client's overall development progress. CAEs have identified Bank assistance programs which had:

- satisfactory outcomes matched by good Client development;
- unsatisfactory outcomes in Clients which achieved good overall development results, notwithstanding the weak Bank program; and,
- satisfactory outcomes in Clients which did not achieve satisfactory overall results during the period of program implementation.

Assessments of assistance program outcome and Bank performance are not the same

4. By the same token, an unsatisfactory Bank assistance program outcome does not always mean that Bank performance was also unsatisfactory, and *vice-versa*. This becomes clearer once we consider that the Bank's contribution to the outcome of its assistance program is only part of the story. The assistance program's outcome is determined by the *joint* impact of four agents: (a) the Client; (b) the Bank; (c) partners and other stakeholders; and (d) exogenous forces (such as events of nature, international economic shocks, etc.). Under the right circumstances, a negative contribution from any one agent might overwhelm the positive contributions from the other three, and lead to an unsatisfactory outcome.

Annex B Guide to IEGWB's Country Assistance Evaluation Methodology

5. IEGWB measures Bank performance primarily on the basis of contributory actions the Bank directly controlled. Judgments regarding Bank performance typically consider the relevance and implementation of the strategy, the design and supervision of the Bank's lending interventions, the scope, quality and follow-up of diagnostic work and other analytic and advisory activities, the consistency of the Bank's lending with its nonlending work and with its safeguard policies, and the Bank's partnership activities.

Rating Assistance Program Outcome

6. In rating the outcome (expected development impact) of an assistance program, IEGWB gauges the extent to which major strategic objectives were relevant and achieved, without any shortcomings. In other words, did the Bank do the right thing, and did it do it right. Programs typically express their goals in terms of higher-order objectives, such as poverty reduction. The Country Assistance Strategy (CAS) may also establish intermediate goals, such as improved targeting of social services or promotion of integrated rural development, and specify how they are expected to contribute toward achieving the higher-order objective. IEGWB's task is then to validate whether the intermediate objectives were the right ones and whether they produced satisfactory net benefits, and whether the results chain specified in the CAS was valid. Where causal linkages were not fully specified in the CAS, it is the evaluator's task to reconstruct this causal chain from the available evidence, and assess relevance, efficacy, and outcome with reference to the intermediate and higher-order objectives.

7. For each of the main objectives, the CAE evaluates the relevance of the objective, the relevance of the Bank's strategy toward meeting the objective, including the balance between lending and nonlending instruments, the efficacy with which the strategy was implemented and the results achieved. This is done in two steps. The first is a top-down review of whether the Bank's program achieved a particular Bank objective or planned outcome and had a substantive impact on the country's development. The second step is a bottom-up review of the Bank's products and services (lending, analytical and advisory services, and aid coordination) used to achieve the objective. Together these two steps test the consistency of findings from the products and services and the development impact dimensions. Subsequently, an assessment is made of the relative contribution to the results achieved by the Bank, other donors, the government and exogenous factors.

8. Evaluators also assess the degree of Client ownership of international development priorities, such as the Millennium Development Goals, and Bank corporate advocacy priorities, such as safeguards. Ideally, any differences on dealing with these issues would be identified and resolved by the CAS, enabling the evaluator to focus on whether the trade-offs adopted were appropriate. However, in other instances, the strategy may be found to have glossed over certain conflicts, or avoided addressing key Client development constraints. In either case, the consequences could include a diminution of program relevance, a loss of Client ownership, and/or unwelcome side-effects, such as safeguard violations, all of which must be taken into account in judging program outcome.

Ratings Scale

9. IEGWB utilizes six rating categories for **outcome**, ranging from highly satisfactory to highly unsatisfactory:

<i>Highly Satisfactory:</i>	The assistance program achieved at least acceptable progress toward all major relevant objectives, <u>and</u> had best practice development impact on one or more of them. No major shortcomings were identified.
<i>Satisfactory:</i>	The assistance program achieved acceptable progress toward all major relevant objectives. No best practice achievements or major shortcomings were identified.
<i>Moderately Satisfactory:</i>	The assistance program achieved acceptable progress toward most of its major relevant objectives. No major shortcomings were identified.
<i>Moderately Unsatisfactory:</i>	The assistance program did not make acceptable progress toward most of its major relevant objectives, or made acceptable progress on all of them, but either (a) did not take into adequate account a key development constraint or (b) produced a major shortcoming, such as a safeguard violation.
<i>Unsatisfactory:</i>	The assistance program did not make acceptable progress toward most of its major relevant objectives, and either (a) did not take into adequate account a key development constraint or (b) produced a major shortcoming, such as a safeguard violation.
<i>Highly Unsatisfactory:</i>	The assistance program did not make acceptable progress toward any of its major relevant objectives and did not take into adequate account a key development constraint, while also producing at least one major shortcoming, such as a safeguard violation.

10. The **institutional development impact (IDI)** can be rated at the project level as: *high, substantial, modest, or negligible*. IDI measures the extent to which the program bolstered the Client's ability to make more efficient, equitable and sustainable use of its human, financial, and natural resources. Examples of areas included in judging the institutional development impact of the program are:

- the soundness of economic management;
- the structure of the public sector, and, in particular, the civil service;
- the institutional soundness of the financial sector;
- the soundness of legal, regulatory, and judicial systems;
- the extent of monitoring and evaluation systems;
- the effectiveness of aid coordination;
- the degree of financial accountability;
- the extent of building capacity in nongovernmental organizations; and,
- the level of social and environmental capital.

Annex B Guide to IEGWB's Country Assistance Evaluation Methodology

IEG is, however, increasingly factoring IDI impact ratings into program outcome ratings, rather than rating them separately.

11. **Sustainability** can be rated at the project level as *highly likely, likely, unlikely, highly unlikely*, or, if available information is insufficient, *non-evaluable*. Sustainability measures the resilience to risk of the development benefits of the country assistance program over time, taking into account eight factors:

- technical resilience;
- financial resilience (including policies on cost recovery);
- economic resilience;
- social support (including conditions subject to safeguard policies);
- environmental resilience;
- ownership by governments and other key stakeholders;
- institutional support (including a supportive legal/regulatory framework, and organizational and management effectiveness); and, resilience to exogenous effects, such as international economic shocks or changes in the political and security environments.

At the program level, IEG is increasingly factoring sustainability into program outcome ratings, rather than rating them separately.

Risk to Development Outcome. According to the 2006 harmonized guidelines, sustainability has been replaced with a “risk to development outcome,” defined as the risk, at the time of evaluation, that development outcomes (or expected outcomes) will not be maintained (or realized). The risk to development outcome can be rated at the project level as *high, significant, moderate, negligible to low, non-evaluable*.

1. In this note, assistance program refers to products and services generated in support of the economic development of a Client country over a specified period of time, and client refers to the country that receives the benefits of that program.

Annex C: Strategic Objectives and Benchmarks

The World Bank

The FY2001 WB Country Assistance Strategy

Overall Objective	Benchmarks
Substantially reduce Poverty in Uganda by 2017	<ul style="list-style-type: none"> Reduce proportion of Ugandans below poverty line to 10% by 2017 Increase per capita consumption of poorest 20%
I. Actions Which Directly Increase the Ability of the Poor to Raise Their Income	
Objectives	Benchmarks
Improved Agricultural Performance	<ul style="list-style-type: none"> Sustained agricultural sector growth of 4% or more
Improve Natural Resource Management	<ul style="list-style-type: none"> Reduce soil erosion Reduce deforestation Reduce loss of wild life
Improved Rural Roads	<ul style="list-style-type: none"> District roads fully repaired and maintained by 2016
Rural Energy	<ul style="list-style-type: none"> Increase proportion of rural areas with access to electricity
Increase Assets in Poorest Regions	<ul style="list-style-type: none"> Reduce regional disparities in poverty
II. Actions Which Directly Increase the Quality of Life of the Poor	
Objectives	Benchmarks
Improved Health Care Services	<ul style="list-style-type: none"> Immunization ratios (DPT3) to increase to 80% by 2002/03 Increase percentage of health centers with trained staff to 65% by 2002/03
Primary Education	<ul style="list-style-type: none"> Pupil/teacher ratio of 47 by 2002/03 Pupil/class ratio of 87 by 2002/03 Pupil/book ratio of 3 by 2002/03
Water and Sanitation	<ul style="list-style-type: none"> Boreholes drilled: 1,500 by 2002/03 Protected springs: 700 by 2002/03 Protected wells: 1,700 by 2002/03
III. Creating a Framework for Economic Growth and Structural Transformation	
Objectives	Benchmarks
Sustaining High Rate of Economic Growth	<ul style="list-style-type: none"> 7% real growth
Macroeconomic Stability and Incentives	<ul style="list-style-type: none"> Inflation of 5% Nonappreciating real exchange rate 5 months import coverage
Efficient and Equitable Tax System	<ul style="list-style-type: none"> Increase in revenue to GDP ratio Reduced fuel levies
Poverty Focus of Government Expenditures	<ul style="list-style-type: none"> Increase PAF share of total expenditures to at least 25% by 2002/03
Improved Infrastructure: Power	<ul style="list-style-type: none"> Separate UEB into entities responsible for generation, transmission, and distribution and provide for private participants at each stage Investment in new power generation capacity
Improved Infrastructure: Main Roads	<ul style="list-style-type: none"> Increase funding for routine and periodic maintenance Increase GOU share of funding for maintenance
Improved Environment for Private Sector	<ul style="list-style-type: none"> Sustained supervision of commercial banks Increase financial sector competition Efficient handling of commercial cases

Annex C
Strategic Objectives and Benchmarks

IV. Ensuring Good Governance and Security	
Objectives	Benchmarks
Effective Decentralization Strengthen LG system for service delivery	<ul style="list-style-type: none"> • Number of districts eligible for District Development Grants under LGDP • Enactment of a new LG (Rating) Act 2005 • Introduction of alternative sources of LG revenue
Transparent, efficient and poverty-focused public expenditure	<ul style="list-style-type: none"> • Implement reform programs for procurement and improved financial accountability • Develop and implement sustainable pay reform program • Reduction in perceptions of corruption

The 2005 Uganda Joint Assistance Strategy

The World Bank Specific Program

Pillar I. Economic Management: Macroeconomic Stability Consistent with Rapid Private Sector Led Growth	
PEAP Outcomes Indicators	Intermediate Results¹
Reduce the fiscal deficit from 11.3% of GDP to 8.2%	<ul style="list-style-type: none"> • Uganda Revenue Authority modernized (IT, tax admin processes and methods) by mid-2007 • Agreement on MTEF 2006/2007-2008/2009 and annual budgets throughout UJAS period • Poverty Action Fund expenditures and donor projects consistent with PEAP priorities throughout UJAS period
Increased domestic revenue from 12% of GDP to 13.2%	
Reduce public expenditure from 23.9% of GDP to 21.8% (indicator and target will be modified)	
Inflation maintained below 5.0%	
Increased private sector credit from 7.1% of GDP to 10.4%	
Reduced net present value of external debt to exports from 305% to 238%	
Pillar II. Enhancing Production, Competitiveness and Incomes	
Objective: Increased private sector competitiveness (investment and export)	
PEAP Outcomes Indicators	Intermediate Results
Private sector investment rises from 17% of GDP towards 21% by 2013/14 (medium target being developed)	<ul style="list-style-type: none"> • National trade policy implemented by mid-2006 • World Trade Organization Bill submitted to Parliament by mid-2006 • Taxation and licensing policies and practices streamlined by mid-2006
Value of exports increases from 12.1% of GDP to 16.1% by 2013/14 (medium target being developed)	
Objective: Increased and more efficient agriculture production	
Growth rate of agricultural production rises above the 2003 value of 3.8% (indicator and target will be modified to accommodate for high volatility)	<ul style="list-style-type: none"> • National Agriculture Research System established by mid-2006 • National Agriculture Advisory Services extended to: <ul style="list-style-type: none"> - 499 sub counties in 37 districts by mid-2006 - 640 sub counties in 45 districts by mid-2007 - 900 sub counties in 53 districts by mid-2008 • National Land Policy: <ul style="list-style-type: none"> - Consultations undertaken by mid-2006 - Cabinet approval by mid-2007 - Implementation by mid-2008 • National Fisheries Authority established by mid-2006 • Licensed private forest plantations in central forest reserves and on private land covering: <ul style="list-style-type: none"> - At least 10,000 hectares by mid-2006 - At least 15,000 hectares by mid-2007 - At least 25,000 hectares by mid-2008
Proportion of total agricultural output that is marketed grows from 20% towards 70% by 2013/14 (medium target being developed)	
Proportion of total value of agriculture output that is exported rises	

<p>Proportion of households with land titles for agriculture production increase from <1% to 1.5%</p> <p>Proportion of households with general land titles increases from 12% to 17%</p> <p>Growth rate of fishery sector rises above 2003 value of 3.8%</p> <p>Value of fish exports rises above 2003 values of US\$88 million per year</p>	
Objective: Increased and more efficient production of nonagricultural goods and services	
PEAP Outcomes Indicators	Intermediate Results
<p>Proportion of value of production of Micro, Small, and Medium-sized enterprises (as % of GDP) rises</p> <p>Less time spent by Micro, Small, and Medium-sized enterprises in obtaining licenses</p> <p>Increased number of tourists visiting Uganda</p> <p>Increased value of production of mining industry</p>	<ul style="list-style-type: none"> • Incorporation of strategy for Micro, Small, and Medium-sized enterprises in revised Medium Term Competitiveness Strategy • National Tourism Strategy and Business Plan: Developed by mid-2006, implemented by mid-2007 • Mining regulations bill: <ul style="list-style-type: none"> - Cabinet approval by mid-2006 - Parliament enactment by mid-2007 - Implementation by mid-2008
Objective: Strengthened infrastructure in support of increased production of goods and services	
PEAP Outcomes Indicators	Intermediate Results
<p>Proportion of roads in good condition rises from 75% to 100%</p> <p>Proportion of rural households with access to electricity rise from 3% to 8%</p> <p>Freight carried by rail rises from 863,000 tons per year to 1,565,000 tons per year</p>	<ul style="list-style-type: none"> • Maintenance of 18,000km/Rehabilitation of 1,500km of district roads by mid-2006 • Uganda National Road Authority <ul style="list-style-type: none"> - Statute enacted by mid-2006 - Operational by mid-2007 • Rural electrification schemes under various donor projects implemented throughout UJAS period • At least 30 megawatts renewable energy: <ul style="list-style-type: none"> - Connected to main grid by end-2007 - Supplying the main grid by end-2008
Objective: Strengthened environment and natural resource management	
<p>Increase in proportion of forest land covered by sustainable forest management plan by 2-3% (medium target being developed)</p> <p>Proportion of wetlands with sustainable management plan increased from 7.5% to 20%</p> <p>Decrease in environmental degradation</p>	<ul style="list-style-type: none"> • Ministry of Water, Lands, and Environment coordinates: <ul style="list-style-type: none"> - Preparation of an interim business plan for environmental and natural resources for the budget framework paper by mid-2006 - Full integration of the environmental and natural resources sector investment plan into the environmental and natural resources –the budget framework paper by mid-2007 - Full implementation of the environmental and natural resources sector investment plan by mid-2008 • Districts/sectoral agencies mainstream environmental concerns in policies and programs: <ul style="list-style-type: none"> - 14/15 by mid-2006 - 28/25 by mid-2007 - 36/30 by mid-2008
Objective: Strengthened Financial Sector	
<p>Increase number of clients served by Micro Finance Institutions</p>	<ul style="list-style-type: none"> • Microfinance Institutions supported for rural outreach and capacity building between 2005 and mid-2006 • Business Culture Fund to improve business and financial skills in rural areas established by mid-2006

Annex C
Strategic Objectives and Benchmarks

Pillar III. Security, Conflict Resolution and Disaster Management	
Objective: Reduced Insurgency conflict	
PEAP Outcomes Indicators	Intermediate Results
<p>Reduced number of civilian casualties from conflict (killed, wounded, abducted)</p> <p>Increased number of returnees/reporters that are resettled</p>	<ul style="list-style-type: none"> • Program for socio-economic reintegration of ex-combatants into civilian life developed by mid-2006 • National policy on conflict prevention: <ul style="list-style-type: none"> - Developed by mid-2006 - Implemented by mid-2007 • National Security Policy developed and operationalized by mid-2006 • Joint defense review with EAC: <ul style="list-style-type: none"> - Conducted by mid-2007 - Recommendations implemented by mid-2008
Objective: Reduced number of people internally displaced	
<p>Reduced number of internally displaced people from 1.6 million</p>	<ul style="list-style-type: none"> • National policy on internally displaced people translated and distributed by mid-2006 • Social and economic reintegration plan for internally displaced people coordinated and monitored by mid-2008 • Database on internally displaced people developed by mid-2006
Pillar IV. Good Governance	
Objective: Increased efficiency in the justice and commercial justice system	
<p>Reduced crime rate from 30 (incidents per 10,000 people) to 20</p> <p>Decreased growth rate of commercial court case backlog from 30 (per month) to 10</p> <p>Increased satisfaction of businesses with commercial court system from 30% to 70%</p>	<ul style="list-style-type: none"> • Strengthen and decentralize Justice, Law and Order institutions to improve access to justice throughout UJAS period • Promote coordination initiatives among Justice, Law and Order Sector institutions throughout UJAS period • Five commercial laws passed by Parliament by mid-2006
Objective: Strengthened public financial management	
<p>Increase percentage of Ministries/local governments preparing regular financial statements in accordance with financial regulations from 51% to 100% by 2013/14 (medium target being developed)</p>	<ul style="list-style-type: none"> • Reorganization of Accountant General's Office completed by mid-2007 • All local governments prepare financial statements for 2005/06 in accordance with new financial and accounting regulations by mid-2007 • Roll out Integrate Financial Management Systems: <ul style="list-style-type: none"> - To 10 agencies and 10 local governments by mid-2007 - To all remaining agencies and more local governments by mid-2008
Objective: Reduced corruption	
<p>Decrease perceived incidence of corruption (measured by National Integrity Survey) from 23% to 12% (medium target will be adjusted)</p>	<ul style="list-style-type: none"> • Leadership Code Act (Revised) presented to Parliament by mid-2006 • Continued verification of assets declarations by ministers throughout UJAS period
Objective: Improved public service performance	
<p>Higher percentage of public satisfied with public service delivery</p>	<ul style="list-style-type: none"> • Strategic plan for national statistical system developed and adopted by mid-2006 • 100% of PEAP indicators reported by mid-2008
Objective: Strengthened local government system for service delivery	
<p>LG revenue as share of LG budget increased from 6% to 9% (medium target will be revised)</p>	<ul style="list-style-type: none"> • Application of Harmonized Participatory Planning Guide: <ul style="list-style-type: none"> - Mechanisms for monitoring developed by mid-2006 - Monitor by mid-2008 • Fiscal Decentralization Strategy: <ul style="list-style-type: none"> - Roll out to local government by mid-2006 - Monitor implementation throughout UJAS period - Operationalization of new local government structures by mid-2006
Pillar V. Human Development	
Objective: Improved Education opportunities for all Ugandans	
<p>Increased primary net enrollment rate from 87% boys/86.4% girls to 90% girls and boys</p>	<ul style="list-style-type: none"> • Curriculum development for primary education: <ul style="list-style-type: none"> - Finalized by mid-2006 - Roll out implementation by mid-2008 • Minimum primary teachers' wage level:

<p>Increased primary completion rate from 66% boys/44% girls to 74% boys/64% girls</p> <p>Increased post-primary gross enrollment rate from 20% male/17% female to 30% male/25% female</p> <p>Increased completion rate of senior 4 rate from 20% boys/17% girls to 26% boys/23% girls</p> <p>Increased tertiary gross enrollment rate from 4% to 5.5%</p>	<ul style="list-style-type: none"> - Enhanced towards US\$200,000/month by mid-2006 - Reached by mid-2008 • 60 seed secondary schools constructed by mid-2008 • Improved curriculum emphasis for science and technology in tertiary education by mid-2007
Objective: Healthier Ugandans	
<p>Reduced infant mortality rate (per 1,000 live births) from 88 to 68</p> <p>Lower maternal mortality rate (per 100,000 deliveries) from 505 to 354</p> <p>Reduced percentage of population undernourished from 19% to 5% (target will be revised)</p> <p>Reduced HIV prevalence rate from 6.2% to 5%</p> <p>Increased utilization of outpatient department</p> <p>Increased percentage of approved posts filled by formally trained health workers from 68% to 90%</p> <p>Increased percentage of facilities without any stock outs of chloroquine, fansidar, measles vaccine, Depo Prevera, ORS and cotrimoxazole from 40% to 60%</p> <p>Increased percentage of deliveries in health care centers from 24.4% to 50%</p> <p>Meeting the demand for family planning services from 27% (medium target being developed)</p> <p>Higher percentage of children immunized (DTP3) from 83% to 90%</p>	<ul style="list-style-type: none"> • Continued joint implementation of the Revised National Framework for HIV/AIDS throughout UJAS period • Indoor residual spraying strategy: <ul style="list-style-type: none"> - Finalized by mid-2006 - Implemented by mid-2007 • Emergency obstetric care strategy implemented by mid-2007 • Human resource policy for health care staff finalized and implementation initiated by mid-2007
Objective: Improved access to safe water supply and sanitation	
<p>Increased percentage of population using safe water from 55% rural/65% urban to 90% rural/100% urban</p> <p>Increased percentage of population using sanitation facilities from 56% rural/65% urban to 80% rural/100% urban</p> <p>Increased percentage of rural Water</p>	<ul style="list-style-type: none"> • 3,700 new water systems serving 950,000 people in rural areas throughout UJAS period • In small towns: <ul style="list-style-type: none"> - 3,500 new water connections by mid-2006 - 4,000 new water connections by mid-2007 • In large towns: <ul style="list-style-type: none"> - 12,500 new water connections/ 133 new sewerage connections by mid-2006 - 13,000 new water connections/ 139 new sewerage connections by mid-2007 - 13,500 new water connections/ 146 new sewerage connections by mid-2008

Annex C Strategic Objectives and Benchmarks

and Sanitation facilities functional from 70% to 85%	
Objective: Revitalized community development function	
Increased number of filled community development worker posts	<ul style="list-style-type: none"> • Community mobilization and empowerment strategy operationalized by mid-2006 • Equal Opportunities Commission: <ul style="list-style-type: none"> - Policy submitted to cabinet by mid-2006 - Established by mid-2007
Increased percentage of functional community management committees	<ul style="list-style-type: none"> • National Gender Policy submitted to cabinet by mid-2007

The African Development Bank

The 2002-2004 AfDB Country Strategy Paper

1. Framework for Economic Growth and Structural Transformation	
Bank Assistance Strategy	Results/Intermediate Outcomes
	<ul style="list-style-type: none"> • Real GDP growth of 7%
Promote fiscal sustainability	<ul style="list-style-type: none"> • Inflation contained to 5% • Stable and nonappreciating exchange rate
Diversify exports	<ul style="list-style-type: none"> • Foreign reserves at 5 months of imports
Improve tax administration	<ul style="list-style-type: none"> • Increased tax revenue- GDP ratio
Public expenditure reforms	<ul style="list-style-type: none"> • PAF share of total expenditure increases to at least 25% from current base
Strengthen institutional capacity of regulatory agencies	<ul style="list-style-type: none"> • UEB separated into entities responsible for generation, transmission and distribution
Increase investment in power generation capacity	<ul style="list-style-type: none"> • Generation capacity expands
Rehabilitation and upgrading of national roads	<ul style="list-style-type: none"> • Inventory of main roads network classified as satisfactory increases
Provide enabling environment (Private sector development)	<ul style="list-style-type: none"> • Competition in financial sector increases. • Legal framework improves
Improve access of SMEs to commercial banks	<ul style="list-style-type: none"> • Availability of lines of credit for on-lending to SMEs.
2. Good Governance and Security	
Bank Assistance Strategy	Results/Intermediate outcomes
Strengthen institutional and human capacity of local governments	<ul style="list-style-type: none"> • Improved access to and quality of basic services.
Improve public procurement and financial management systems	<ul style="list-style-type: none"> • Reform programs for public procurement and financial management implemented.
Strengthen capacity of anti-corruption institutions	<ul style="list-style-type: none"> • Reduced perception of corruption
3. Increase the Ability of the Poor to Raise their Income	
Bank Assistance Strategy	Results/Intermediate outcomes
Support implementation of PMA	<ul style="list-style-type: none"> • Sustained growth of agriculture sector of 3% or more
Integrate environmental concerns in development programs	<ul style="list-style-type: none"> • Reduced soil degradation, biodiversity losses, and deforestation
Strengthen NEMA	<ul style="list-style-type: none"> • Sustainable authority for environmental management
Rehabilitation and maintenance of district roads	<ul style="list-style-type: none"> • Increased accessibility in rural areas
Commercial generation and distribution of energy in rural areas	<ul style="list-style-type: none"> • Increased access of rural populations to power
	<ul style="list-style-type: none"> • Increased access of rural poor to financial services
4. Increase the Quality of Life of the Poor	
Bank Assistance Strategy	Results/Intermediate outcomes
Improve efficiency and effectiveness of existing health care delivery systems	<ul style="list-style-type: none"> • 54% of children less than 1 year old have received DPT3 vaccination • Out-of-patient department utilization per capita is 0.47 • HIV prevalence is reduced to 5.4%
Support classroom construction, teacher and curriculum development and procurement of textbooks	<ul style="list-style-type: none"> • Pupil-teacher ratio 45:1 • Pupil-textbook ratio 3:1 • Pupil-classroom ratio 89:1

Annex C
Strategic Objectives and Benchmarks

	<ul style="list-style-type: none">• P7 net enrollment 20%
Increase access to water and sanitation in small towns	<ul style="list-style-type: none">• Increased access to safe WSS from 52% to 60%• 80% WSS systems functioning• Increased access to safe urban WSS from 50% to 65%

1. A subset of PEAP policy actions from annual PEAP results and policy matrix.

Annex D: Achievement of Objectives

World Bank: I. Governance Agenda

CAS Pillar	Lending Program	Nonlending	Expected Outcome	Outcome Ratings of WB Contribution	Rationale for Ratings
Effective Decentralization	<ul style="list-style-type: none"> -Local Government Development II (FY03) -Institutional Capacity Building (FY95) -Local Government Development Program SIL (FY00) -PRSC 1-6 (FY01-07) 	<ul style="list-style-type: none"> -Conflict Analysis Policy Note (FY05) -Uganda Legal and Judiciary Sector Assessment (FY05) 	<ul style="list-style-type: none"> -Increased number of districts eligible for District Development Grant under LGDP. 	Satisfactory	Financial management and accountability reforms under Local Government (LG) yielded positive results in building institutions and supporting capacity. Achieved target established under LGDP grant. Support also had positive gender effect.
Transparent, Efficient and Poverty-focused Public Expenditure	<ul style="list-style-type: none"> -Public Service Performance Enhancement (FY06) -Economic and Financial Management Project (FY00) -EFMP II-Supplemental (FY03) -PRSC 1-6 (FY01-07) 	<ul style="list-style-type: none"> -Uganda PER (FY02) -Uganda FSAP (FY02) -FSAP Follow-up Dialogue (FY02) -Budget and Medium-term Expenditure (FY02) -Uganda Economic Monitoring (FY02) -Public Expenditure Review (FY03) 	<ul style="list-style-type: none"> -Improved procurement system. -Implementation of results-based management. -Established sustainable pay reform program. 	Moderately Satisfactory	There is scope for improvements in procurement reform. Capacity limitations in ministries, departments, and agencies severely constrained the institutionalization of the results-based approach to public service management. Pay reform not fully achieved. Support for financial management reform was positive
Anti-corruption	<ul style="list-style-type: none"> -PRSC 1-6 (FY01-07) 	<ul style="list-style-type: none"> -2003 PER (FY04) -PER/CFAA/CPAR/LGIFA (FY04) -Uganda PRSC Stocktaking (FY04) -Uganda PER (FY05) -Uganda ROSC AAR Report (FY05) -FSAP Update (FY05) -AML/CFT Assessment (FY05) -PER (FY07). 	<ul style="list-style-type: none"> -Reduction in perceptions of corruption. 	Moderately Unsatisfactory	Reform to improve accountability, thereby reduce corruption has not significantly reduced the perception of corruption. Government effectiveness is perceived not to have improved. Strategic approach was not informed by sufficient analytic underpinning and unambiguous measurement of corruption. The direct links between Bank support and outcomes were not clear.

ANNEX D
ACHIEVEMENT OF OBJECTIVES

World Bank: II. The Growth Agenda

CAS Pillar	Sub-Pillar	Lending Program a/	Nonlending b/	Expected Outcome	Outcome Ratings of WB Contribution	Rationale for Rating
Growth and Macroeconomic Stability	Economic Growth	PRSC 1-6 (FY01-07)	-Poverty Assessment (FY05) -CEM (FY06) -Northern Uganda Review (FY07)	- High real GDP growth (7%) -Reduce regional disparities in poverty.	Satisfactory	Perception of slowing growth and stalled poverty reduction was not dealt with on a timely basis before 2004 PEAP with appropriate analytic support. Effort made in dealing with regional disparity in poverty was substantial.
	Macroeconomic Stability	-Oil Shock Supplemental-SAL III (FY01) - PRSC 1-6 FY01-07)	-Uganda Book (FY01) -Debt Sustainability (FY03) -HIPC Tracking Update (FY03) -Debt Sustainability Analysis (FY06) -DTIS (FY06) -Insolvency ROSC (FY06)	-Inflation of 5%. -Nonappreciating exchange rate. -5 months import coverage. -Increased Revenue/GDP ratio. -Reduced fuel levies. -Increased PAF share of total expenditures.	Satisfactory	Fiscal prudence was maintained; although arrears remain due to implementation weaknesses with MTEF. Revenue mobilization remains weak and GOU's aid dependence remains high.
Enhancing Economy's Competitiveness and private sector development (PSD)	Private sector development	-Road Development. Phase 2 APL (FY02)9 -Private Sector Competitiveness 2 (FY05) -Private Sector Competitiveness (FY96)	-Country Framework Paper (FY01) -Exp. Growth and Competitiveness (FY04) -Investment Climate Assessment (FY04) -Trade Export Competition. (FY04) -UEDC Transit Tariff (FY05)	No defined benchmarks and targets.	Moderately Satisfactory	Administrative constraints to private sector development have improved but not significantly. Key market ratings showed marginal improvement. WB support for industrial zone and land cadastre experienced delays.
	Financial Sector Development	-Regional Trade Facilitation (FY01) -Financial Market Assistance (FY99)	-CFAA (FY01) -CPAR (FY01) -Financial Sector Follow-up (FY06)	-Sustained supervision of commercial banks. -Increased financial sector competition. -Efficient handling of cases.	Satisfactory	Although intermediation and interest rates remain high, credit grew fast, leading to substantial financial intermediation. WB support in areas such as pension reform is behind schedule.
	Energy Development	-Privatization & Utility Sector Reform (FY01) -Power SIL 4 (FY02)	-Power Sector Reform and Regulatory Strategy (FY01) -Key Factors for Private Sec-	-Increased rural access to electricity. -Separate UEB activities. -Increased private investment in	Moderately Unsatisfactory	Timing of successful unbundling of UEB, coupled with supply crisis as a

ANNEX D
ACHIEVEMENT OF OBJECTIVES

World Bank: II. The Growth Agenda

		-Energy for Rural Transformation (FY02) -National RE Dev TAL (FY04) -Power Sector Development Project (FY07) -Power III (FY98) -Power III Supplemental (FY00)	tor Investment in Power Distribution (FY02) Power Sector Reform: Assessing Impact (FY06)	power generation.		result of delayed completion of the Bujagali HEP and water shortage in Lake Victoria constituted a strategic failure in risk assessment. Increases in rural access and private investment in power limited.
	Transport & Logistics	-Road Sector & Institution Support (FY98) -Roads Development APL (FY99) -Road Development APL 3 (FY05) -El Nino Emergency Road (FY98)		-Improved rural roads through repair and maintenance. -District Roads fully repaired by 2016	Moderately Satisfactory	Substantial improvements in road network. But high institutional orientation of infrastructure support is yet to yield results. High cost of transportation continues to be major constraint to business profitability.
Improving Income of the Poor through Agriculture Productivity	PMA	-Roads Development APL (FY99) -National Agric Services SIL (FY01) -ICB-PAMSU (FY99)	-Land Reform (FY01) -Agriculture Modernization (FY01)	-Sustained agriculture growth (4%).	Moderately Unsatisfactory	Support for agriculture, while focused, was too heavy on institutional-building. Analytic underpinnings were not usually timely. Current status of agriculture productivity unknown.
	Environment	-ENCBP SIL 2 (FY01) PAMSU SIL (FY03) -Lake Victoria Environment. SIL (FY97) -Nakivubo Channel Rehab SIL (FY99) LVEMP Supplemental (FY03)	-Natural Resource Management Analysis (FY05)	-Reduced soil erosion. -Reduced deforestation. -Reduced loss of wild life.	Moderately Satisfactory	Support for NEMA has improved focus on the preservation of natural environment. Concern expressed about excessive emphasis placed on undertaking studies, rather than improving the livelihood of communities.

ANNEX D
ACHIEVEMENT OF OBJECTIVES

World Bank: III. The Human Development Agenda

CAS Pillar	Lending Program	Nonlending	Expected Outcome	Outcome Ratings of WB Contribution	Rationale for Ratings
Improved Health Care Services	-Sexually Transmitted Infection (FY94) -District Health (FY95) -Child Nutrition Development SIL (FY98) -HIV/AIDS Control SIL (FY01) -PRSC 1-6 (FY01-07)	-Health Expenditure Tracking (FY02) -Health Sector Performance (FY04) -Health Systems Support (FY07)	-Immunization ratios (DPT3) to increase to 80% by 2002/03. -Increased percentage of health centers with trained staff to 65% by 2002/03	Moderately Unsatisfactory	Despite improved access and citizen's satisfaction with public health service delivery, there remains unsatisfactory outcomes with regards to family planning and reproductive health; and the declining effectiveness of PRSC as instrument for dealing with specific health sector issues.
Primary Education	-Millennium Science Initiative (FY06) -Primary Education -Education Sector (FY93) Adjustment Credit (FY98) -Makerere Decentralization Service (FY02) -PRSC 1-6 (FY01-07)	-Post-Primary Education Sector Work FY03) -Tertiary Education Sector Report (FY04)	-Pupil/teacher ratio of 47 by 2002/03 -Pupil/class ratio of 87 by 2002/03 -Pupil/book ratio of 3 by 2002/03.	Moderately Satisfactory	Support has yielded equitable coverage, especially for girls; provided institutional strengthening by meeting output target established in the PEAP; and through PRSCs, sustained resource flow to sector. Support was unable to deal with inefficiency issues and concerns with Uganda's attainment of MDG2.
Water and Sanitation	-Uganda Social Action Fund (FY03) -Small Towns Water (FY94) -PRSC 1-6 (FY01-07)	-Review of Urban Water (FY01) -Water Supply Delivery Impact Assessment (FY05)	-Boreholes drilled: 1500 by 2002/03 -Protected springs: 700 by 2002/03 -Protected wells: 1700 by 2002/03	Satisfactory	Support through the PRSCs to LGs helped exceed all CAS performance targets (protected springs, boreholes drilled and new wells constructed). Both rural and urban access to safe water showed major improvement, on track to exceed the corresponding MDG target. On the other hand, there was limited progress in sanitation provision and hygiene mitigation, with potential negative effects on the achievement of MDGs in the area of infant, child and maternal mortality.

AfDB: I. Governance Agenda

CSP Pillar	AfDB Strategy	Lending Program	Expected Outcome	Outcome Rating of AfDB Contribution	Rationale for Ratings
Decentralization	Strengthen institutions and human capacity at the local governments	-Poverty Reduction Support Loan (2002) -Institutional Support Project for Good Governance (2004)	Improved access to and quality of basic services.	Satisfactory	Financial management and accountability reforms under LG yielded positive results in building institutions and helping improve access to basic services
Public Sector Management Reforms	Improve public procurement and financial management system	-Poverty Reduction Support Loan (2002) -Institutional Support Project for Good Governance (2004)	Reform program for procurement and financial management functioning	Moderately Satisfactory	Reform programs on procurement yielded modest results. Improved financial management has helped GOU to achieve expenditure targets with respect to poverty spending.
Combating Corruption	Strengthen capacity of anti-corruption institutions	-Technical Assistance (Law Institute) (2002) -PRSL and ISPGG	Reduced perception of corruption through improved accountability and better audit systems.	Moderately Unsatisfactory	Support for accountability and training as instruments to facilitate the reduction in corruption has not helped to significantly reduced the perception of corruption. Government effectiveness is perceived not to have improved through the assistance provided for improving audit systems.

AfDB: II. The Growth Agenda

CSP Pillar	Sub-Pillar	Lending Program	Expected Outcome	Outcome Ratings of AfDB Contribution	Rationale for Ratings
Growth, Fiscal Reform and Export Diversification	-Promote Fiscal Sustainability -Improve Tax Administration -Public Expenditure Reform	-PRSL. -Institutional Support to External Aid Coordination (1998) -Institutional Support Project for Good Governance (2004).	-Real GDP growth of 7% -Inflation contained to 5% Stable and nonappreciating exchange rate -Increase tax revenue/GDP ratio -PAF share of total expenditure increases to at least 25% from current base.	Moderately Satisfactory	Despite its narrow and focused support, AfDB's contribution was substantial in achieving the poverty-reducing expenditure targets. Fiscal prudence was maintained; although arrears remain. Revenue mobilization remains weak.
	-Diversify Exports	The Area-based Agricultural Modernization Project (2000), and other support for diversification.	-Foreign reserves at 5 months of imports	Satisfactory	Progress on export diversification occurred, which cushioned the wide fluctuations in export prices and unfavorable terms of trade. International reserves increased to 6.5 months of imports cover by FY07.
Enhancing Economy's	-Strengthen Institutional	-Bujagali Interconnection Project	-UEB separated into entities responsible	Moderately Un-	Economy's competitiveness was

ANNEX D
ACHIEVEMENT OF OBJECTIVES

Competitiveness and promoting PSD/SME Development	capacity of regulatory agencies -Increase investment in power generation capacity -Commercial generation and distribution of energy in rural areas.	(2007). -Urban Power Rehabilitation Project (1996) -Alternative Energy Resources Assess and Utilization Study (2000)	for generation, transmission and distribution -Generation capacity expands Increased access of rural populations to power.	satisfactory	not significantly enhanced because of failure to resolve the power issue, although support was provided for alternative sources of energy.
	-Rehabilitation and upgrading of national roads -Rehabilitation and maintenance of district roads.	-Road Sector Support Project (2005) -Road Sector Support Project (Supplemental) (2006) -Rural Feeder Roads Maintenance Program (1991) -Kyotera-Mutukula Upgrading Project (1998) -Roads Maintenance and Upgrading Project (2000) -Transport Sector Development Program (2003)	-Inventory of main roads network classified as satisfactory increases. -Increased accessibility in rural areas.	Moderately Satisfactory	Road sector support has not resulted in substantial cost reduction but support for communal road is helping open up the rural area. Neither AfDB nor the WB has supported direct investment in new district roads.
	-Provide enabling environment for private sector development. -Improve access of SMEs to commercial banks.	-Rural Microfinance Support Project (1999) -Sheraton Kampala Hotel (2002) -Sustainable Management of Mineral Resources (2004)	-Competition in financial sector increases. -Legal framework improves -Availability of lines of credit for on-lending to SMEs.	Satisfactory	Focus on rural finance has helped improve availability of lines of credit for on-lending to SMEs.
Improving Income of the Poor through Agriculture Productivity	Support Implementation Of PMA, thereby helping increase the productivity of small farmers.	-.Northwest Smallholder Agricultural Development (1999) -Area-based Agricultural Modernization Program (2000) -Fisheries Development Project (2002) -Livestock Productivity Improvement Project (2002) -Farm Income Enhancement Project (2004) -Creation of Sustainable Tsetse (2004) -Community Agricultural Infrastructure (2007)	-Sustained growth of agriculture sector of 3% or more..	Satisfactory	Diversified approach to supporting agriculture yielded mixed results: sustained growth of agriculture of 3 percent has not been achieved but integrated approach is helping reduce soil degradation and supporting fisheries and livestock.
	-Integrate environmental concerns in development programs -Strengthen NEMA	.	-Reduced soil degradation, biodiversity losses, and deforestation.	Non-evaluable	Support to strengthening NEMA provided indirectly through other projects.

AfDB: III. The Human Development Agenda

CSP Pillar	Sub-Pillar	Lending Program	Expected Outcome	Outcome Ratings of AfDB Contribution	Rationale for Ratings
Health: Improve efficiency and effectiveness of existing health care delivery systems	Improve access and reduce inequality to mental and community maternal health care services	-Health Services Rehabilitation Project (1989) -Support to Health Sector Strategic Plan (2000) -Support to Health Sector Strategic Plan (2006)	-54% of children less than 1 year old have received DPT3 vaccination -Outpatient department utilization per capita is 0.47 -HIV prevalence is reduced to 5.4%	Moderately Satisfactory	Access to mental health and maternal health services increased but that to the former in particular, continued to be severely limited by shortages of staffing and drug..
Education: Support classroom construction, teacher and curriculum development and procurement of textbooks.	Improved access to quality primary education, and for girls, into secondary science education in rural areas..	-Support to the ESIP (Education II Project) (2000) -Education III Project-Support to Post-Primary (2005)	-Pupil-teacher ratio 45:1 -Pupil-textbook ratio 3:1 -Pupil-classroom ratio 89:1 -P7 net enrollment 20%	Moderately Satisfactory	Gender inequality in accessing science education in rural communities decreased. But improvements in the quality of education were limited by the slow pace of delivery of support and high demand for education. The education sector continued to be characterized by high drop-out rates, and low transition rate from primary to post secondary education.
Water and Sanitation	Increase access to water and sanitation in small towns.	-ESW-Rural Towns Water Supply and Sanitation Study (2000) -Small Towns Water & Sanitation Project (2004) -Rural Water Supply & Sanitation Program (2005)	-Increased access to safe WSS from 52% to 60% -80% WSS systems functioning -Increased access to safe urban WSS from 50% to 65%.	Satisfactory	Support from the Small Towns Water project helped exceed all CSP performance targets (protected springs, boreholes drilled and new wells constructed). Both rural and urban access to safe water showed major improvement, on track to exceed the corresponding MDG target. On the other hand, relative neglect of sanitation provision and hygiene mitigation could have potential negative effects on achievement of MDGs in the area of infant, child and maternal mortality.

Annex E: The Poverty Reduction Support Credits, I-VI

1. Although this Country Assistance Evaluation has a focus on evaluating the strategy of the WB and AfDB in Uganda, not on individual interventions, the WB's PRSCs played such an important role requiring that a more detailed analysis is warranted in this Annex. The PRSCs were one-tranche operations, disbursed as annual budget support into the GOU's national budget. The first three PRSCs were designed as an integrated program, with tentative commitments for PRSC-2 and PRSC-3, foreshadowed in the project appraisal document (PAD) for PRSC-1. Similarly, PRSC-4 was originally conceived as the first of a second set of three one-year PRSCs that would support a new Ugandan PEAP as the tentative agenda for actions was included in PRSC-2 and 3, as part of the "rolling design" of these operations. Delays in the completion of the new PEAP, however, led to PRSC-4 to be presented as a stand-alone operation.

2. Part 1 of this Annex provides the main conclusions from the 2004 Stocktaking study of the first three PRSCs in Uganda, conducted by the WB itself. Part 2 presents the lessons learned from IEG's 2008 Project Performance Assessment Report (draft) that covers the first four PRSCs. Finally, the conclusion brings together the main messages on PRSCs on the basis of part 1 and 2, and the findings of the current Country Assistance Evaluation which reviewed PRSC 1-6.

3. **The 2004 Stocktaking Study** (covering PRSC 1-3) conducted by the WB itself, found that the PEAP and PRSC processes had led to a substantial sharpening of the overall vision of the development challenges faced by Uganda and helped focus on the main strategic approaches to follow. This facilitated the allocation of resources, helped increase the efficiency of basic service delivery, and contributed to improving the coordination of the type of cross-sectoral efforts needed for poverty reduction in its various dimensions. Some of the most important conclusions and recommendations in the report are:

- **Focus.** The first three PRSCs emphasized the human development dimensions of poverty by focusing on improved access to education, health, and water and sanitation. Relatively less attention was paid to issues of macroeconomic stability, better allocation of public resources, improved governance and some aspects of agriculture, all of which are needed to achieve rapid and sustained economic growth for sustained poverty reduction. The study noted that in retrospect, the focus of the PRSCs could have been somewhat different, by placing greater emphasis on poverty reduction through economic growth. Even though one of the stated outcomes by which PRSCs were to be measured was "(income) poverty reduction", this did not receive adequate attention relative to the objective to improve service delivery.
- **Predictability of Resource Flows.** The PRSC process helped improve the predictability of resource flows at the aggregate level. There were, however, some problems with the flows at the sub-national level that need to be addressed. These were not due to the failure of PRSCs, but rather due to lapses in budget implementation.

- **Transaction Costs** are viewed to have declined. The Government, while complaining about the size of PRSC missions and the reform agenda that leaves little room for any down time, made it clear that the budget support approach was by far the preferable way of proceeding. With respect to the World Bank, the available evidence suggested that resource cost for program preparation was considerably higher for the PRSCs than for regular IDA investment projects. The report recommended that for the follow-up PRSCs, attention should focus on improving the impact of the transferred resources rather than worrying too much about the costs of program preparation.
- **Donor Coordination.** The PRSCs helped to streamline and coordinate donor support, and this led to increased resource flows from donors as aid shifted progressively into direct budget support. The main locus for local PRSC donor activities has been the Sector Working Groups, supplemented by special meetings arranged during PRSC missions. Improved coordination was evident in the exchanges of donor assistance strategies and key reports, feedback to the World Bank, and continuous informal exchanges, especially important when they involved Government representatives to reinforce the sense of partnership and transparency.
- **Aid Modalities.** Overall, the direct budget support provided by the PRSCs was an invaluable instrument that had done much to sharpen the focus of the Government's poverty reduction program. However, it was also clear that providing aid to Uganda only through budget support could not be the best approach, even if it is the main instrument of choice for the Government. The report noted that there were always reform areas (typically in capacity and institution building, but also in major infrastructure investments in sectors such as power and roads) that could arguably be better handled in the project mode. The choice of instrument, therefore needs to be done in the context of a sector strategy, be transparent to all actors (donors as well as government), be well justified, and that they be on the budget.
- **Implementation.** The report noted that progress in implementation was somewhat slow. It pointed out that more needed to be done to improve both the efficiency and equity of resource utilization, so that more of the GBS resources could reach poor communities and remote areas. Equally, part of the improvement needed to take place at the local level, where a combination of lack of capacity and skills, as well as corruption and local influence continues to divert poverty-oriented resources from their intended purposes.
- **Aid Dependency.** One concern brought about by the increased aid flows (from both budget and project support) was the issue of high aid dependency. Despite the benefits of predictable budget resources, the report noted clear signs of an imbalance between donor aid and the mobilization of domestic resources. The report felt that aid flows of the size Uganda is receiving, helped undermine the incentive to improve domestic revenues mobilization.

- **Results Orientation.** Finally, the stock-taking exercise emphasized the repeated calls for a greater results-orientation. There was a wide-spread sense that while there has been good progress on a number of input fronts (budget execution was under control, sector ceilings were in place, teachers and health workers were being hired, more students were in schools, etc.), the concern remained how to attain better outcomes. Operational efficiency was thought to be low and much remained to be done with respect to a better connection between policy actions and monitorable indicators in the PRSC matrices themselves.

4. **The draft 2008 Project Performance Assessment Review** (covering PRSC 1-4), rates the overall outcome of WB support through the PRSCs as moderately satisfactory, with a modest rating for risk to development outcome, a moderately satisfactory rating for WB performance, and satisfactory rating for borrower performance. It provides the following lessons learned:

- The Ugandan experience does support the idea that generalized budget support for well-performing countries can be delivered with lower transactions costs and (probably) with higher payoffs than project assistance. The available information indicates that the PRSCs have reduced the costs of delivering a dollar of aid to Uganda. The redirection of some effort away from specific to general management concerns appears to have reduced costs for both the Ugandan government and the Bank, while achieving important improvements in government management of its budgetary execution in general, and its attention to poverty-related spending in particular.
- The Ugandan experience does not suggest that a “mature partnership” existed between the Bank and Uganda. Unilateral demands (“prior actions”) were an important feature of each PRSC. Altogether, the four PRSCs required a total of 44 prior actions by the Ugandan government before Board presentation. Another 193 other undertakings were also required of the Ugandan government during implementation. The opportunity to require some action by the government appears to have led to a steady increase in such demands through PRSC-3, though such requirements were reduced in PRSC-4.
- The Bank focused too much on social services and too little on income generation as the exit from poverty. PRSC 1-3 focused almost entirely on social service delivery issues. The attention to agriculture – the source of income for the great majority of Ugandans – was entirely absent from PRSC-1, and appeared in the next two PRSCs in a very minimalist fashion. Even with PRSC-4, the linkage between commitments made with actual outcomes on the poor in Uganda is difficult to make. The neglect of investment in roads and rural electrification in the PRSCs and in the government budget meant that opportunities for income growth among the 80 percent of the population living in rural areas were attenuated by lack of adequate infrastructure. The share of investment spending in the GOU budget steadily declined during the implementation of the four PRSCs, from 6.4 percent of GDP to 4.5 percent, though none of the PADs drew attention to this.

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- Additional budget support and/or improvement in budgetary planning and management may not eliminate resource constraints. They may not even reduce them. The four PRSCs, together with the associated funding from other donors, provided about half of the government budget for the Ugandan Government during 2001-04. HIPC debt relief further eased the resource constraint. Yet the government's fiscal management problems appear no less difficult than at the beginning. Government spending rose apace with the increase in donor funding. Some of the increase was clearly indicated, as with the necessary expansion of teachers with the growth in enrollments and commitments to reduce pupil/teacher ratios, and with commitments for delivery of health and water and sanitation services. Nevertheless, unanticipated expenditure growth occurred through several channels. Pay increases for education and health workers beyond planned levels, costs of creating new districts for which staffing of local officials and their administration was required, increases in defense spending beyond previous commitments, and unanticipated increases in spending for government commissions and other activities not clearly linked to outcomes. During this period, domestic revenue collections continued to stagnate as a share of GDP. So donor-desired service increases continually had to compete for budgetary space with politically-driven priorities. This suggests a sort of Parkinson's Law of budgeting: Spending will rise to fill any space created by additional income.
- Bank staff sought to "push the envelope" of reform, though this often led to expectations that exceeded outcomes. While this was a good thing, because of concern with Government commitment on certain policy issues (for example, on population control issues and corruption), Bank support did not meet targets set out in the CAS. But falling short of ambitious goals is not necessarily a sign of lack of success. It opened up the dialogue to the general population, which established the environment for the next round of reform.
- The Bank made progress on governance and reduction in corruption mainly by strengthening systems. The improvements in budget transparency and procurement reform achieved through the PRSCs were substantial. Such reforms could not in the short-term eliminate the potential for corruption, but they did, through improved transparency, reduce the area where corruption is easily possible at the institutional level.
- Decentralization of Bank staff to the country office has probably contributed to the Bank's effectiveness, though less than might have been expected. A visiting mission, with a clear mandate and a limited time in country, is sometimes able to galvanize timely action and to focus attention on the issues to be discussed. On the contrary, the presence of in-country staff could result in slower progress on decisions or commitments, as the urgency of decision is not equally perceived by country counterparts.
- Monitoring and evaluation was given inadequate attention. The PADs for the PRSPs laid out an optimistic picture of regular surveys, which did not materialize in practice. Baseline data were also sketchy and often inconsistent with the meth-

odologies used to subsequently track progress (usually the National Accounts and periodic surveys). As a consequence, policymakers had limited timely information that could be used to monitor the effectiveness of programs and to correct course as necessary.

Conclusion

5. Combining the findings of the Stocktaking study, the draft PPAR on the first four PRSCs, and the findings of the Country Assistance Evaluation team, several overarching messages can be distilled on how the PRSCs served as an instrument for executing the WB's strategy. The messages are organized around the three main pillars of the WB CASs and strategy documents (Governance, Growth, and Human Development), and are based on the totality of prior actions agreed upon between IDA and GOU with respect to PRSC 1-6 as outlined in Table 1 (below). The table organizes the prior actions for each PRSC by the pillars outlined in the WB's strategy. The main messages are:

- **Contrary to the expectation that the PRSCs would replace the social sector SWAp, the six PRSCs reviewed had a heavy focus on promoting Governance.** Strong emphasis was placed on public financial management, with a quite consistent inclusion of prior actions throughout the annual PRSCs on overall expenditures, accountability in financial management, and procurement. These were complemented with project level support which helped to generate good progress. At the same time, these supported efforts to address corruption issues by improving transparency, but the extent of success is unclear. A more direct approach to anti-corruption was occasionally attempted through the PRSCs by including prior actions, for example on the verification of assets held by politicians and high-level bureaucrats. This also proved largely unsuccessful. Similarly, pay reform and public service reform have underperformed, with prior actions effectively rolled-over through several PRSCs. This reflects both lack of ownership and the need for complimentary project support, which arrived late during the series of PRSCs (2006).
- **The first six PRSCs underperformed in fulfilling their role as effective instruments for meeting the WB's Growth agenda.** The strong emphasis on governance issues, and to some extent on human development, exhausted the scope and opportunity for dialogue on growth issues, as there were limited room for additional policy conditionality. In the first three PRSCs, a total of only three prior actions on the growth agenda were included. The 2004 Stocktaking study subsequently called for greater focus on growth, especially in the area of income generation, but the follow-up fourth PRSC had no prior actions on growth. Subsequently, a few prior actions on agriculture and the private sector were introduced in the fifth and sixth PRSCs, but these did not represent the fundamental shift of focus that was needed.
- **Resolving the challenge of Human Development was central to the PRSCs, but some limitations to the use of budget support were observed.** The PRSCs were used as the main vehicle to support basic service delivery goals in health, education, and water and sanitation. This was approached by consistently including prior actions that required satisfactory implementation of undertakings in the respective sector reviews. The evaluation, however, acknowledged the limitation of the PRSC

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as an instrument for dealing with endemic (and usually deep-seated) health sector issues where an investment operation or technical assistance would have been appropriate as the resource flow from the government budget could be limited by rigid budget parameters.

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Annex E Table 1. Prior Actions Required for Uganda’s PRSCs I-VI—as reported by the respective PADs

Topic	PRSC I	PRSC II	PRSC III	PRSC IV	PRSC V	PRSC VI
1. Promoting Governance						
Overall Expenditures	Agreement on a MTEF for 2000/01-2002/03, with budget execution for the first two quarters of 2000/01 consistent with agreed allocations.	In the annual PER, the GoU has agreed with donors on MTEF for 2001/02-2003/04, and has executed the 2001/02 budget through the first two quarters consistent with budget allocations.	GoU agreement with donors on an MTEF for 2002-05, and budget execution through the first two quarters of 2002/03 consistent with agreed allocations.	In the annual PER, the GoU has agreed with donors on MTEF for 2003-06, and has executed the 2003-04 budget for the full year consistent with budget allocations.	In the PER, Government has agreed with donors on the MTEF for 2004/05-2006/07, and has executed the 2004/05 budget consistent with the budget allocation as appropriated and adjusted with approval of Parliament.	In the PER, Government has agreed with donors on the Medium Term Expenditure Framework for 2006/07-2008/09, and has executed the FY2005/06 budget consistent with the budget allocation as appropriated and adjusted with the approval of Parliament and taken remedial action in FY2006/07 budget where major deviations occurred.
Financial Management	A new coordination mechanism for guiding and monitoring reform programs in financial management.	MOFPED has tabled the Public Finance Bill in Parliament.	Enactment of a Public Finance and Accountability Bill.		MoFPED drafts a revised Audit Bill (2002) to ensure adequate operational Independence of the Auditor General	Ministry of Public Service approves a revised organizational structure for the Accountant General’s Office that will operationalize the Public Finance and Accountability Act of 2003 and enable financial management reforms such as the implementation of the Integrated Financial Management System. The audit bill is ready for cabinet by February 2007.
Procurement	New procurement regulations for ministries, departments, and agencies.	MOFPAD has tabled the Procurement Bill in Parliament.	Enactment of a Procurement that ensures competition in the selection of third-party pro-	Cabinet draft local government procurement and asset disposal regulations and proposals to	The Local Governments Amendment Bill (Procurement) tabled in Parliament.	Satisfactory progress with implementing measures to improve the effectiveness of the

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Topic	PRSC I	PRSC II	PRSC III	PRSC IV	PRSC V	PRSC VI
	Implemented interim procurement arrangements in the health sector consistent with new procurement regulations for ministries, departments, and agencies.		procurement agents.	amend the Local Government Act relating to appointment and removal of LG tender boards members.		public procurement system by January 31, 2007.
Anti-Corruption and Leadership Code	Introduction into Parliament of bills for Leadership Code addressing corruption, and creating an office of the Inspectorate of Government	Parliament has passed the Leadership Code and Inspector General of Government (IGG) Statutes Bill. Most Ministers, Presidential Advisors, Permanent Secretaries, Directors, and Uganda Revenue Authority officials have submitted to the Inspectorate of Government their statement of income, assets and liabilities.	IGG has issued letters indicating the need for disciplinary action against senior government officials who have failed to declare their incomes, assets, and liabilities, with appropriate action taken in accordance with the law.	IGG completes analysis of assets and information collected from key political leadership categories, begins asset verification, investigates all complaints by the public received by November 2003, and presents a time-bound action plan for implementing the Leadership Code. Most Ministers, Presidential Advisors, Permanent Secretaries, Directors, and Uganda Revenue Authority officials have submitted to the Inspectorate of Government their statement of income, assets and liabilities.	IGG verifies asset declarations of Ministers and in case of breach appropriate action is taken by relevant authorities in accordance with the law by May 2005. Implementation of the National Anti-Corruption Action Plan commences.	The IGG commits to achieving the activities as specified in the agreed results matrix. These are aimed at: reducing the incidence and experience of corruption measured by the national integrity survey; introducing special anti-corruption courts to expeditiously deal with cases of a corrupt nature; and clearing the backlog of cases under IG. Implementation of the National Anti-Corruption Action Plan as the framework to assess progress in the fight against corruption continues.
Pay Reform	Agreement on the objectives and principles of a pay reform strategy consistent with the MTEF and improved service delivery.	Cabinet approved and published the pay strategy, consistent with MTEF and improved public service delivery.	Ministry of Public Service (MOPS) and Ministry of Finance, Planning, and Economic Development (MOFPED) have agreed on target salary adjustments in line with the pay reform strategy, with the associated wage bill reflected in the MTEF.	MOPS and MOFPED have made salary adjustments consistent with the pay reform strategy and the MTEF.	Ministries of Public Service and of Finance, Planning, and Economic Development jointly commit to an updated pay reform strategy and target salary adjustments for the medium term.	Submission of an inception report for a study to assess the feasibility of control of the size of the public service and integrating staffing and wage bill issues into the budget process.

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Annex E Table 1. Prior Actions Required for Uganda’s PRSCs I-VI—as reported by the respective PADs

Topic	PRSC I	PRSC II	PRSC III	PRSC IV	PRSC V	PRSC VI
Public Service Reform		MOPS, in consultation with other stakeholders, has developed a draft strategic framework for the new phase of public service reform.	MOPS has submitted preliminary findings on cost-effectiveness and efficiency of employment/staff utilization in the social sectors.	MOPS and MOFPED have completed a comprehensive draft policy paper on issues, measures, and modalities for controlling the size of the public administration and ensuring cost efficiency and effectiveness in HR development of social sector establishment, and discussed this with social sector ministries.	Submission by the Ministry of Public Service in collaboration with MOFPED a cabinet memorandum on recommendations for controlling the size of public administration and for enhancing cost efficiency and effectiveness in the public sector targeting Health, Education, Agriculture, Water and Community Development and submission to IDA an Action Plan on the implementation of these measures by end of May 2005.	Satisfactory progress in implementing new phase of Public Service Reform Program reflected by accomplishment of the agreed undertakings.
2. The Growth Agenda						
Agriculture		MAAIF has completed a draft institutional review of public funding of agricultural research.			Satisfactory implementation of core undertakings by April 2005 as agreed in the October 2004 Joint PMA Annual Review	Satisfactory implementation of core undertakings as agreed in the October 2004 Joint PMA Annual Review and confirmed by the October 2005 review.
Land Sector		MoFPED and MoWLE have agreed on financial and institutional arrangements for the implementation of the Land Sector Strategic Plan.	The Ministry of Water, Lands and Environment and the Public Service Commission have completed recruitment of staff for the LSSP implementation division			
Private Sector						Strengthen the coordinated approach to improve the investment

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Annex E Table 1. Prior Actions Required for Uganda's PRSCs I-VI—as reported by the respective PADs

Topic	PRSC I	PRSC II	PRSC III	PRSC IV	PRSC V	PRSC VI
						climate, and make satisfactory progress on agreed key investment climate undertakings identified in the PEAP (including reforms in institutions that can impede or facilitate the access of businesses and potential investors to formal registration, land titles, and courts).
3. Human Development Challenge						
Education	Implemented agreed commitments from the joint Government-donor education sector review. Launched a national recruitment campaign for 15,000 new teachers.	Satisfactory implementation of undertakings agreed in education sector review in April 2001 and confirmed by October 2001 review.	Satisfactory implementation of agreed education undertakings from October 2002 review.	Satisfactory implementation of undertakings agreed in education sector review in May 2003 and confirmed by November 2003 review.	Satisfactory implementation of the undertakings agreed in the education sector review in November 2003 and confirmed by the 2004 review	Satisfactory implementation of the undertakings agreed in the education sector review in November 2004 and confirmed by the 2005 review, and of the undertakings agreed in the 2005 review and confirmed by the October 2006 review.
Health	Implemented the commitments agreed in the joint Government-donor health sector review.	Satisfactory implementation of undertakings agreed in health sector review in April 2001 and confirmed by October 2001 review.	Satisfactory implementation of agreed health undertakings from October 2002 review.	Satisfactory implementation of undertakings agreed in health sector review in April 2003 and confirmed by November 2003 review.	Satisfactory implementation of the undertakings agreed in the health sector review in November 2003 and confirmed by the 2004 review	Satisfactory implementation of the undertakings agreed in the health sector review in November 2004 and confirmed by the 2005 review, and of the undertakings agreed in the 2005 review and confirmed by the October 2006 review.
Water and Sanitation	Fully-staffed district water and sanitation teams in half of the districts.	MoWLE/DWD has established fully staffed technical support units (TSUs).	MOPS has approved reorganization of DWD and initiated its implementation.	Satisfactory implementation of undertakings agreed in water and sanitation sector review in September 2003 and	Satisfactory implementation of undertakings agreed in water and sanitation sector review in Sep-	Satisfactory implementation of undertakings agreed in the water and sanitation sector review in September 2004 and

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Annex E Table 1. Prior Actions Required for Uganda's PRSCs I-VI—as reported by the respective PADs

Topic	PRSC I	PRSC II	PRSC III	PRSC IV	PRSC V	PRSC VI
				confirmed by March 2004 review.	September 2003 and confirmed by the 2004 review.	confirmed by the 2005 review, and of the undertakings agreed in the 2005 review and confirmed by the September 2006 review.
Finances for Water Corporation	Settled debts of 5 billion Uganda shillings to the National Water and Sewerage Corporation by government ministries, departments, and agencies.	The National Water and Sewerage Corporation (NWSC) has adopted a formula for periodic tariff adjustment.	MOFPED and NWSC have agreed on a time-bound action plan to settle the existing arrears to NWSC and have acted to prevent new ones.			
4. Other						
PRSP Progress	Introduction of monitoring of results and annual output targets in the roads, education, health and water and sanitation sectors in the 2000/01-2002/03 Budget Framework Paper.	Satisfactory progress in the implementation of the overall reform program and PEAP, as indicated by the PRSP progress report.				
Local Government system for service delivery						Satisfactory progress on core undertakings agreed by JARD 2004 and JARD 2005, including: (i) the Ministry of Public Service to review the mandate and structure of the Ministry of Local Government, or in the interim provide appropriate additional staff to the ministry as a stop gap measure to address low capacity in the ministry to deliver on its mandate; (ii) Ministry of Local Government to identify an alternative source of revenue for local governments, to be ap-

ANNEX E
THE POVERTY REDUCTION SUPPORT CREDITS, I-VI

Annex E Table 1. Prior Actions Required for Uganda's PRSCs I-VI—as reported by the respective PADs

Topic	PRSC I	PRSC II	PRSC III	PRSC IV	PRSC V	PRSC VI
						proved by the government during FY2006/7; (iii) Ministry of Finance Planning and Economic Development to provide compensation to local governments for revenue losses related to the abolition of graduated tax (Ush 45 billion); and (iv) Government has submitted a bill to Parliament to promote organized urban development and human settlement replacing the existing Town and Country Planning Act of 1964.

Annex F: Government Comments

To date, no comments have been received from the Government.

Annex G: CODE Proceedings

Annex H: List of People Contacted

International Development Partners

AfDB Uganda Field Office

Mr. Mukaila A. Ojelade, Resident Representative

Mr. Ashie Mukungu, Macro-Economist

Mr. Patrick O. Kahangire, Consultant, Water and Sanitation

Mr. Asaph Nuwagira, Agricultural and Rural Development Specialist

Mr. Mohamed Hedi Manai, Chief Evaluation Officer

Mr. Daniel Rutabingwa, Investment Officer

AfDB Tunis Office

Mr. Albert Gakusi, Education Consultant

Mr. Kechelfi Sarhan

Mr. Charles Omolubi, Agriculture Economist

Mr. Lawrence C. Tawan

Mr. Justus Kabyemera

Mr. Alex Mend

Mr. Mecuria

Mr. Jerimaih Muonga

Mr. Gerard Kambou (now in WB, Washington)

Mr. Abayomi Babalola

Mr. Hemchand Rai Heeroo

DFID

Mr. Richard Edwards, Deputy Head of Office-Programs

Ms. Gwyeth Chittleborough, Senior Economic Adviser

Mr. Jens-Peter Kamanga - Dybak, Governance Adviser

Ms. Jill Fletcher, Statistics Adviser

Dr. Alastair Robb, Regional Health Adviser

Ms. Maja De Vibe, Governance Adviser

Mr. Adrian Stone, Private Sector Development Adviser

Embassy of Belgium

Mr. Marc Denys, Counsellor for International Cooperation

Embassy of Ireland

Mr. Kevin Kelly, Charge d' Affairs

Mr. Fintan Farrelly, Head of Development, Irish Aid

Embassy of the Netherlands

ANNEX H

LIST OF PEOPLE CONTACTED

Mr. Michel Rentenaar, Deputy Head of Mission
Mr. Jeroen de Lange, First Secretary Economic Advisor

Embassy of Sweden

Ms. Elly Kaganzi Mwesigwa, Program Officer: Trade, Private Sector & Rural Development
Ms. Maria Selin, First Secretary, Infrastructure, Private Sector and Financial Development

European Union

Mr. Costas Tsilogiannis, First counselor/ Head of Operations
Mr. Tom Vens, First Secretary, Economic Trade and Regional Integration Section
Ms. Celine Prud'Homme, Attaché Programme Officer

Royal Danish Embassy

Mr. Warwick Thomson, Program Coordinator

UNICEF

Ms. Sheila Wamahiu, Chief - Education

European Bank for Reconstruction and Development (EBRD)

Mr. William Keenan, Senior Evaluation Manager
Mr. A. Dennis Long, Senior Environmental Evaluation Manager, Evaluation Department

Frankfurt School of Finance and Management

Ms. Pamela Hedstrom, Resident Advisor, International Advisory Services
Mr. Victor Agaba, Mortgage Infrastructure Officer, International Advisory Services

KfW, Bankengruppe

Dr. Britta Oltmann, Director, Special Programmes Uganda and Tanzania

European Investment Bank (EIB)

Mr. Ivory Yong Protzel, Senior Evaluator

Banque Oust Africaine de Developpement (BOAD)

Mr. Napo Zoumaro, Division Chief, Operations Evaluations Department

The World Bank Group

World Bank Uganda Field Office

Mr. John McIntire, Country Director
Ms. Kundhavi Kadiresan, Country Manager
Ms. Harriet Nannyonjo, Sr. Education Specialist
Mr. Young Kim, Sr. Country Economist
Mr. Paul Murphy, Consultant
Ms. Mary Muduuli, Operations Officer
Ms. Mary Bitekerezo, Sr. Social Development Specialist

Mr. Madhur Gautam, Lead Economist, Agriculture & Rural Development,
Sustainable Development Department
Ms. Grace Yabrudy, former Country Manager
Mr. Peter Okwero, Sr. Health Specialist
Mr. Denyse Morin, Sr. Public Sector Development Specialist
Mr. Dieter Schelling, Lead Transport Specialist
Mr. Michael Wong, Sr. Private Sector Development Specialist
Mr. Paul Baringanire, Energy Specialist
Ms. Amanda Ellis, Lead Gender Specialist

Washington Office

Ms. Judy O'Connor, former Country Director
Mr. Roy Canagarajah, Lead Economist
Ms. Kathryn Hollifield, Acting Country Program Coordinator
Mr. Dino Merotto, Senior Economist
Mr. Lance Morrell, Lead Operations Officer
Ms. Louise Fox, Lead Specialist
Mr. Michael Crawford, Sr. Education Specialist
Ms. Kathryn Ann Funk, Country Program Coordinator
Mr. Malcolm Cosgrove-Davies, Sr. Energy Specialist
Ms. Melaine Marlett, former Country Program Coordinator
Ms. Christine Cornelius, Lead Operations Officer
Ms. Xiaoyen Liang, Sr. Education Specialist

International Finance Corporation Field Office

Mr. Githuku Mwangi, Business Development Officer
Mr. Dan Kasirye, Senior Investment Officer
Mr. Paul B. Mukasa, Investment Officer
Ms. Gertrude Mlachila, Regional Advisory Services Coordinator,
Mr. Emmanuel Nyirikindy, manager, Infrastructure Advisory, Sub-Saharan Africa
Mr. Victor Ocaya, Sr. Highway Engineer, Transport unit, Sub-Saharan Africa

IFC Headquarters

Mr. Javier Calvo, Principal Investment Officer
Mr. Niels Martens, Principal Investment Officer
Mr. German Cufre, Investment Officer

Government of Uganda

Bank of Uganda

Prof. Emmanuel Tumusiime-Mutebile, Governor
Mr. Michael Atingi-Ego, Executive Director Research
Mr. Patrick Byabakama Kaberenge, Chief Internal Auditor
Mr. Apollo Obbo, Director Commercial Banking
Mr. Daniel L. Kaggwa, Deputy Director Commercial Banking
Mr. Godfrey Yiga Masajja, Deputy Director Commercial Banking

ANNEX H

LIST OF PEOPLE CONTACTED

Competitiveness and Investment Climate Strategy Secretariat

Mr. Peter Ngategize, National Coordinator

Electricity Regulatory Authority

Dr. F. B. Sebbowa, Chief Executive Officer

Mr. P. J. Mwesige, Manager, Finance & Administrative Services

Mr. B. M. Mutambi, Manager, Economic Regulation

Ministry of Agriculture, Animal Industry and Fisheries

Mr. Vincent R. Rubarema, Permanent Secretary

Dr. William Olaho – Mukani, Director, Animal Resources

Ms. Rhoda Tumusiime, Commissioner, Planning Unit

Mr. B. Kerzire, Department of Agricultural Planning

Mr. M. Otim, Department of Agricultural Planning

Mr. Komayombi Bulegeya, Commissioner for Crops

Mr. Deus Muhwezi, Director, Agribusiness

Ministry of Education and Sports

Mr. John Geoffrey Mbabazi, Director of Education

Ministry of Energy and Mineral Development

Mr. Paul Mubiru, Commissioner and Acting Permanent Secretary

Mr. Godfrey Turyahikayo, Executive Director, Rural Electrification Agency

Ministry of Finance, Planning and Economic Development

Mr. Chris Kassami, Permanent Secretary

Mr. M. Bekabye, Technical Advisor, Economic Affairs

Mr. Mugambe, Commissioner Budget

Mr. Charles Victor Byaruhanga, Budget Advisor

Ms. Margaret Kakande, Poverty Analyst- Poverty Monitoring & Analyst Unit

Mr. Keith J. Muhakanizi, Deputy Secretary to Treasury

Mr. Peter Ngategize, National Coordinator

Mr. Patrick Ocailap, Director Budget

Mr. David Ssebabi, Director, Privatisation Unit

Ms. Monica Namuli, Programme Assistant, Privatisation Unit

Mr. Bernard Oundo, Legal Assistant

Ministry of Finance, Secretary of Treasury

Mr. Keith J. Muhakanizi, Deputy Secretary to Treasury

Ministry of Gender, Labor & Social Development

Mr. Steven Kasaija, Commissioner -Planning

Ministry of Health

Ms. Mary L. Nannono, Permanent Secretary

Ministry of Local Government

Mr. Tom Matte, Director Local Government Administration Inspection
Mr. Samuel A.A. Amule, Commissioner, Local Authorities Inspection
Mr. Paul Kasule-Muncasa, Program Coordinator

Ministry of Water and Environment

Mr. Sottie L. M. Bomukama, Director/ Acting Permanent Secretary,
Directorate of Water Development
Mr. S. Otuba, AC-Planning
Mr. C. Tindimugaya, Agriculture Commissioner, Water Regulation
Mr. C.H. Azid, Agriculture A/C (W/A)
Mr. G. Kimanzi, Agriculture Commissioner (RWS)
Mr. C. E. Okwaja, US F&A
Mr. R. Cong, Agriculture Commissioner (WJP)
Mr. D. Ssozi, Agriculture Assistant Commissioner (WSLD)
Mr. J. Kasiita, Project Coordinator, STWSP-MWE

Ministry of Works and Transport

Mr. F. M. Byaruhanga. Agriculture Director
Mr. Kajuna Benon, Transport Economist

National Agricultural Research Organization

Mr. Denis T. Kyetere, Director General
Mr. Sylvester Dickson Baguma, Principal Research Officer, M&E and MIS

National Environment Management Authority

Dr. Gerald Musoke Sawula, Deputy Executive Director
Mr. Francis Ogwal, Natural Resource Management Specialist
Mr. Waiswa Ayazika Arnold, Environmental Impact Assessment Coordinator

National Forestry Authority

Mr. Michael Malinga, Tree Improvement supervisor

National Planning Authority

Mr. Amos Lugoloobi. Deputy Executive Director
Mr. Dhizaala Sanon Moses, Co-Ordinator Research & Statistics
Mr. John Bosco Kintu -Kavuma, Economic Analyst
Ms. Sandra Kirenga, Assistant Statistician

Office of the Prime Minister

Mr. David Rider Smith, Advisor - Monitoring, Evaluation and Public sector Reform, National Integrated M&E Strategy Secretariat
Mr. Peter Ssentongo, Assistant Commissioner, Coordination and Monitoring

Competitiveness and Investment Climate Secretariat

Mr. Peter Ngategize, National Coordinator
Ms. Angela Katama, Private Sector Expert

ANNEX H
LIST OF PEOPLE CONTACTED

Ms. Catherine Ssekimpi, Project Support Officer, M&E

National Social Security Fund

Dr. Mondo Kagonyera, Deputy Managing Director
Ms. Grace Isabirye, Chief Finance Officer

Uganda Electricity Transmission Company (UETCL)

Mr. Eriasi Kiyemba, Managing Director, CEO

Uganda Investment Authority

Dr. Maggie Kigozi, Executive Director
Mr. Lawrence Byensi, Director

Private Sector

Celtel Uganda

Mr. Yesse Oenga, Managing Director
Mr. Enid Edroma, Legal and Regulatory Manager

DFCU Bank

Mr. Moses Kibirige, Executive Director

Orient Bank Ltd.

Mr. Mark Horwood, Executive Director

Private Sector Foundation of Uganda (PSFU)

Ms. Juliet Mpanga Byaruhanga, Project Manager
Ms. Ruth B. Musoke, Director Member Services
Ms. Carolyn N. Ndawula, Policy Analyst

Uganda Microfinance Union

Mr. Charles Nalyaali, Chief Executive Officer

Plan for Modernization of Agriculture (PMA)

Dr. Godfrey Bahigwa, Director

Population Secretariat

Mr. Zirarena Charles, Ag. Director

Rural Electricity Agency

Mr. Godfrey R. Turyahikayo, Executive Director

Uganda Bureau of Statistics

Mr. David Rider, Adviser, Monitoring, Evaluation and Public Sector Reform

Nongovernmental Organizations

Africare

Mr. Anthony A. Ngosi, Country Representative

Community Management Services (CMS)

Kanyomozi Yonasani Bankobeza, Consultant

Development Finance Company of Uganda

Mr. Moses Kibirige, Executive Director

Economic Policy Research Center

Mr. Lawrence Bategeka, Research Fellow

Makerere University

Ms. Nakanyike B. Musisi, Director, Makerere Institute of Social Research

Mr. Katunguka Samwiri, Task Manager, Innovations at Makerere Committee

NEPAD

Ms. Silvia Angey Ufoyuru, Programme Manager, NEPAD/APRM Unit

Nongovernmental Organization Forum

Mr. Warren Nyamugasira, Executive Director

Private Sector Foundation of Uganda (PSFU)

Mr. Gabriel Hatega, Executive Director

Mr. Francis Kisirinya, Director Finance

Mr. Geoffrey Ssebuggwawo, director - BUDS-ERT

Mr. Gideon Badagawa, Director, Policy Advocacy

Roads Agency Formation Unit (RAFU)

Mr. Francis Byaruhanga, Director

Uganda Debt Network

Ms. Daisy Owomugasho, Ag. Executive Director

Mr. Julius Kapwepwe Mishambi, Programme Officer

Uganda Manufacturers Association

Mr. James Kalibbala, Chairman, UFA

Mr. Andrew Luce Kaggwa, Policy Officer

Mr. Sikander Lalani, Chairman & Managing Director, Roofings Ltd.

Ms. Jocelyn K. Ucanda, Chief Manager Marketing, National Insurance Corporation

Mr. J. Katarikawe, Policy Economist

ANNEX H
LIST OF PEOPLE CONTACTED

UMEME

Mr. Ian Williams, Managing Director
Mr. M. Francis, Chief Technical Officer
Mr. S. Zimbe, Chief Customer Service Manager

Uganda National Agro-Input Dealers Association (UNADA)

Mr. Wilfred Thembo – Mwesigwa, Executive Secretary

Project Field Visits

Mr. Joseph Lumu Mazuuku, Mayor, Mpigi Town Council Local Government
Kakiri Farmers Development Cooperative Society (KAFADECO)

Private Sector

Celtel Uganda

Mr. Yesse Oenga, Managing Director
Mr. Enid Edroma, Legal and Regulatory Manager

DFCU Bank

Mr. Moses Kibirige, Executive Director

Orient Bank Ltd.

Mr. Mark Horwood, Executive Director

Private Sector Foundation of Uganda (PSFU)

Ms. Juliet Mpanga Byaruhanga, Project Manager
Ms. Ruth B. Musoke, Director Member Services
Ms. Carolyn N. Ndawula, Policy Analyst

Uganda Microfinance Union

Mr. Charles Nalyaali, Chief Executive Officer

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