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MEMORANDUM

TO : **THE BOARDS OF DIRECTORS**

FROM : **Kordje BEDOUMRA**
Secretary General

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

Please find attached, as an **addendum**, the **Summary Note** of the above -mentioned document.

Attach:

cc: The President

* Questions on this document should be referred to:			
Mr. C. KIRK	Director	OPEV	Extension 2041
Mr. F. TURAY	Chief Evaluation Officer	OPEV	Extension 3257

SCCD : G .G.

UGANDA: JOINT IEGWB/OPEV

COUNTRY ASSISTANCE EVALUATION

SUMMARY NOTE

May 2009

CONTENTS

ABBREVIATIONS AND ACRONYMS

AAA	Analytic and advisory activities
AfDB	African Development Bank
ADF	African Development Fund
CAE	Country Assistance Evaluation
CAS	Country Assistance Strategy
CSP	Country Strategy Paper
DFID	Department for International Development (U.K.)
EC	European Commission
ESW	Economic and sector work
EU	European Union
FDI	Foreign direct investment
FY	Fiscal year
GBS	General budget support
GDP	Gross domestic product
GOU	Government of Uganda
HEP	Hydroelectric power plant
HIPC	Heavily Indebted Poor Countries
IDA	International Development Association
IEGWB	Independent Evaluation Group of the World Bank
IFC	International Finance Corporation of the World Bank Group
IMF	International Monetary Fund
LGDP	Local Government Development Project
M&E	Monitoring and evaluation
MDG	Millennium Development Goal
MDRI	Multilateral Debt Relief Initiative
MTEF	Medium-Term Expenditure Framework
NEMA	National Environmental Management Agency
ODA	Official development assistance
OECD	Organization for Economic Cooperation and Development
OPEV	Operations Evaluation Department of the AfDB
PAF	Poverty Action Fund
PEAP	Poverty Eradication Action Plan
PCR	Project Completion Report
PMA	Plan for Modernization of Agriculture
PRSC	Poverty Reduction Support Credit
PRSL	Poverty Reduction Support Loan
PRSP	Poverty Reduction Strategy Paper
PSD	Private Sector Development
SMEs	Small and Medium Enterprises
SSA	Sub-Saharan Africa
SWAp	Sector-wide approach
UA	Unit of Account (for the AfDB)
UJAS	Uganda Joint Assistance Strategy
WB	World Bank

Note: All $ amounts are in US Dollars.

SUMMARY

The World Bank and the African Development Bank programs in Uganda for the period 2001-2007 were delivered under the FY2001-03 WB Country Assistance Strategy, the 2002-04 AfDB Country Strategy Paper (CSP), and the Uganda Joint Assistance Strategy (UJAS). 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.

A joint evaluation was undertaken to review the assistance provided by the World Bank and the African Development Bank over the period 2001-2007, and the findings and conclusions are presented in a substantial report.[1] The purpose of the present short paper is to provide a convenient summary of the key evaluation findings, conclusions, and recommendations relating to the African Development Bank's assistance.

Assessment of the AfDB's Contribution

The overall outcome of AfDB's support to Uganda during 2001-2007 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 Poverty Eradication Action Plan (PEAP) and provided selective assistance by complementing the activities of other development partners, including the World Bank. However, the efficiency of resource use for targets set in the Country Strategy Paper (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 healthcare, and education services. Its diversified approach to agriculture through support for fisheries and livestock rearing is likely to improve rural incomes. In other areas, AfDB's support was less effective: for example, its anti-corruption efforts need to be refocused, while quality issues in healthcare and primary education need to be addressed.

[1] AfDB: *Uganda Country Assistance Evaluation, 2001-2007; Joint IEG/OPEV Country Assistance Evaluation (ADB/BD/WP/2009/98 – ADF/BD/2009/69).*

Alignment and Harmonization

Although aid alignment and harmonization were not explicit aims of any strategy evaluated under the joint country assistance evaluation (JCAE), they were important drivers for the support provided by the two banks. Alignment behind a common set of priorities was facilitated by the first Poverty Eradication Action Plan (PEAP) in 1997, in which the government encouraged the development of a sector-wide approach (SWAp) and the introduction of general budget support (GBS), including: sector budget support; support notionally earmarked to the Poverty Action Fund (PAF); 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 Uganda Joint Assistance Strategy (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 on Aid Effectiveness.

The aid harmonization mechanism in Uganda is also making progress. With general budget support currently accounting for about half of 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. 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 the 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

The recommendations for the AfDB build on the recommendations provided in the 2004 OPEV Country Assistance Evaluation, which were not fully implemented, especially with respect to deepening economic and sector work. The Management response to these recommendations is provided in Table 2.

(a) For the AfDB:

- Strengthen country 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.

(b) For both the AfDB and the World Bank:

- 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 to 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.

1. INTRODUCTION

1.1 The World Bank and the African Development Bank programs in Uganda over the 2001-2007 period were delivered under the FY2001-03 WB Country Assistance Strategy, the 2002-04 AfDB Country Strategy Paper (CSP), and the Uganda Joint Assistance Strategy (UJAS). 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 (IDA) (FY01-07) and $732 million equivalent (2002-2007) by the African Development Fund (ADF).

1.2 The evaluation period, 2001-2007, was preceded by about 15 years of stable political governance and successful economic developments in Uganda. Per capita GDP growth rate averaged 3.3 percent per annum in the 1990s, and the national income poverty rate decreased to 34 percent in 2000 from 56 percent in 1992. Since 2000, the country has continued to make political and economic gains, albeit at a relatively slow pace. For example, the country witnessed the reintroduction of a multi-party political system in 2005, and recorded an annual average per capita growth rate of 2.2 percent during 2001-2006. Nonetheless, Uganda continues to face several major development challenges, including low agricultural productivity, high population growth, chronic poverty and regional inequalities, and inadequacies in infrastructure and energy supplies. Consequently, it is unlikely to attain some of the Millennium Development Goals (MDGs) by 2015.

1.3 A Joint Country Assistance Evaluation (JCAE) was undertaken by the independent evaluation offices of the World Bank (WB) and the African Development Bank (AfDB) to review the assistance provided by the respective institutions over the period 2001-2007. The findings and conclusions are presented in a substantial report: *Uganda Country Assistance Evaluation, 2001-2007; Joint IEG/OPEV Country Assistance Evaluation*. The JCAE report also integrated the results of a parallel evaluation of the assistance program of the International Finance Corporation (IFC) of the World Bank Group.

1.4 The JCAE assesses whether: (i) the objectives of the assistance of the two banks were the right ones, given the country context and the mandate of each institution; (ii) the designs of the banks' assistance programs were appropriate, effective, and consistent with their associated objectives; and (iii) the program and interventions of each bank achieved their objectives and contributed (or appeared likely to contribute) to the intended outcomes. An examination of these questions allows the JCAE to draw lessons and recommendations for future assistance, whether by individual institutions or collectively.

1.5 The purpose of the present short paper is to provide a convenient summary of the main report, evaluating the effectiveness of the African Development Bank's assistance. It sets out the approach, rationale, and limitations of the joint evaluation; outlines the AfDB country assistance program; and presents the main evaluation findings, conclusions and recommendations, including Management's response to the recommendations. The summary of the full JCAE report is included here as Annex A, including tables summarizing the program outcome ratings for each institution. Methodological notes are included in Annexes B and C.

Rationale for Participation in the Joint CAE

1.6 The World Bank's evaluation office (IEG-WB) initiated the idea of undertaking the Uganda CAE jointly. OPEV was motivated by the expected benefits of the process for both banks, and for the Government of Uganda. In paticular, the shift of the two banks to a common strategic framework, namely the Uganda Joint Assistance Strategy (UJAS), to guide the formulation and delivery of their programs, presented an appropriate opportunity for joint evaluation. Under a common strategic framework and using the same themes, joint evaluation is, in principle, more cost effective than the equivalent separate evaluations, reducing government transaction costs in particular.

1.7 It was expected that the findings and recommendations of the JCAE would be useful in:

- Informing the design of the AfDB's post-UJAS strategy for guiding the delivery of its assistance to Uganda, as well as to other RMCs. As the UJAS is scheduled to end in 2009, the Bank and the other development partners will need to replace it with a new strategic framework or frameworks.

- Providing objective information, at a relatively low cost, on the development outcomes of the AfDB-funded activities to the Board, Management and Operations, and to the Governent of Uganda and development partners.

- Informing the discussions on the ADF XI mid-term performance during the fourth quarter of 2009, and on the ADF XII replenishment.

- Learning more about the WB's approach to CAEs, with a view to improving OPEV's methodology and capacity for joint evaluation.

The need to put into practice, in the field of evaluation, the Paris Declaration's principles on coordination and harmonization to increase aid effectiveness was also a driving force.

Methodology for the Joint Country Assessment Evaluation (JCAE)

1.8 The JCAE report was jointly prepared by the Independent Evaluation Group (IEG) of the WB and the Operations Evaluation Department (OPEV) of the AfDB. The JCAE process was guided by the methodological note in Annex B. During the review period (2001-2007), the AfDB and the World Bank not only had different resource envelopes, but also set their strategic program objectives separately. Furthermore, most parts of the programs of the two banks, though they covered the same themes of the government's Poverty Eradication Action Plan (PEAP), were implemented in parallel. As a result, the program outcomes of the two banks were each evaluated separately, relative to their respective strategic objectives.

1.9 The JCAE was guided by an approach paper, laying out inter alia the evaluation themes, questions, and process. A note of evaluation activities and inputs is provided in Annex C.

1.10 ***Limitations****:* The JCAE process was constrained in two principal ways. First, the evidence on the AfDB program outcomes was relatively less robust because of the limited availability of project completion reports (PCRs) and independent validations. The AfDB had a PCR completion of close to 75 percent compared to 100 percent for the World Bank. No data on the cost of delivering the assistance were available, and this necessitated the use of proxies, which is not ideal. Furthermore, time and resource limitations constrained the generation of primary data and permitted visits to only a small number of projects in the field for the independent validation of evidence.

1.11 Second, the JCAE approach was objectives-based, providing ratings of the outcome of each institution's program against the objectives the institution had set for itself in the relevant strategy papers. The JCAE made no systematic attempt to judge the degree of ambition underlying the institutions' program goals, though it recognized that the two institutions could have different "stretch" goals relative to their respective analytical and financial capacities – which are of course highly diverse. In view of the differences between the respective programs of the two banks (in terms of program size, capacity, institutional framework and implementation strategy), the JCAE reviews the outcome of each bank's support in terms of the program objectives set, then rates each separately. The program outcome ratings for the two institutions are therefore not directly comparable, and should not be used to imply that one institution performed better than the other.

2. AFDB COUNTRY ASSISTANCE PROGRAM

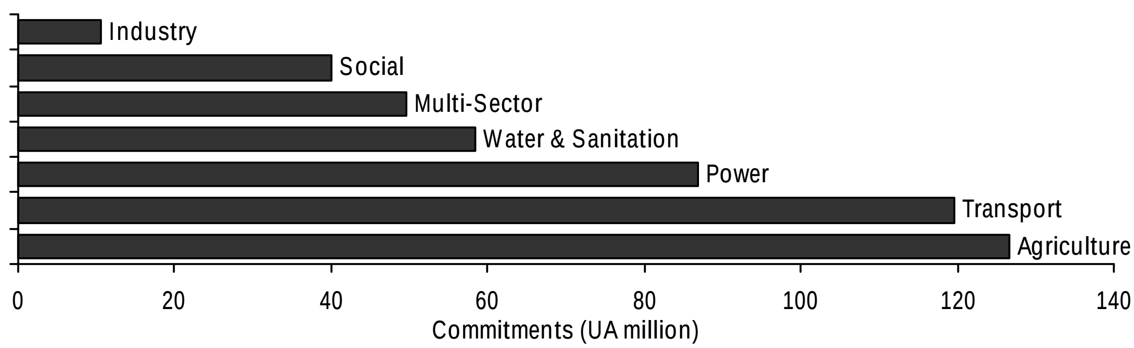
2.1 The AfDB's assistance in 2002-2007, covering the 2002 CSP and the first two years of the UJAS, supported the goals of the government's Poverty Eradication Action Plan (PEAP) through three development pillars—namely, the promotion of good governance, growth, and human development. The outcomes for each of these three pillars is summarized below (see section 3). The AfDB's support was focused 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, transportation 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 Development (PSD) strategy aimed at supplementing this effort by helping to improve the access of small and medium enterprises (SMEs) to commercial bank credit at an affordable cost.

2.2 In pursuit of these objectives, the AfDB (including its multinational and private sector windows) committed UA 492 million ($732 million equivalent) to 19 operations during the review period (2002-2007). During this period, the AfDB provided general budget support (GBS), (about 8 percent of its total commitments) just once, through the Poverty Reduction Support Loan (PRSL), which was delivered in two tranches. This aside, AfDB assistance was exclusively through investment projects. As Figure 1 shows, the agriculture and rural development sector accounted for the bulk of assistance (26.0 percent), followed by transportation (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 (transportation and power subsectors) dominated AfDB's commitments and, along with heavy support for agriculture, emphasized the focus on growth and income generation. AfDB's concern for human development was mainly directed at 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 [ISPGG]).

Figure 1: AfDB Commitment by Sectors, 2002-07

(UA million)



Source: AfDB project database.

2.3 AfDB's total commitment during the review period was satisfactory in meeting the planned targets. However, it experienced considerable delays in project effectiveness, an issue that affected the timeliness and development impact of the bank's contribution.

3. MAIN EVALUATION FINDINGS

Governance

3.1 **In promoting good governance, the AfDB's program had a *moderately satisfactory outcome*.** Its performance was better for the subcomponent "Decentralization" than for "Public Sector Management Reforms" or "Anti-corruption" (see Table 1 for the breakdown). The AfDB's support, mainly through the ISPGG and the Poverty Reduction Strategy Loan (PRSL), focused on financial management and accountability reforms, decentralization and local government development, and public sector reform. This support contributed substantially toward building institutions and capacity in government for improved public expenditure planning and execution, and basic service delivery, and its overall outcome is therefore rated moderately satisfactory (see Table 1).

3.2 Although this support was aligned with the PEAP's objectives, its strategic relevance was weakend by the absence of a clear conceptual and analytical underpinning. The impact of the assistance was therefore 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.

3.3 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 efforts by the WB and AfDB to support monitoring and evaluation (M&E) processes for governance purposes, the system continues to be characterized by isolated approaches to the measurement of governance aspects (such as national integrity surveys, inter-agency forum and review mechanisms, and newspaper opinion surveys). In this context, although the Office of the Prime Minister is charged with coordinating M&E (with finance and technical support from DFID), further support to help the government formulate a measurable framework for governance issues would be desirable.

Growth

3.4 **In supporting the growth agenda, the AfDB's assistance produced overall a *moderately satisfactory* outcome**, mainly because of its modest contribution to agricultural growth and to reducing the cost of doing business in Uganda (see Table 1). The AfDB aligned its assistance to the corresponding government strategies through the emphasis on improving agriculture and rural incomes, basic energy, and transportation services. This was aimed at enhancing the country's growth and macroeconomic stability, and competitiveness, as well as the incomes of the poor. The AfDB strategy was mainly informed by the available analytical works on agriculture in 2004 (under the Farm Income Enhancement Project) and 2005 (Agriculture and Rural Sector Review). However, some important analyses on the challenges and constraints to growth were not provided in time, particularly in agriculture. As a result, strategic initiatives, such as the Plan for the Modernization of Agriculture (PMA), lacked a clear sense of priority and guidance in selecting the most critical interventions for poverty reduction. The UJAS did call for ESW, and the analytical deficit has since been addressed by the World Bank and other development partners.

3.5 Most of the growth and macroeconomic stability targets established under the PEAP, and therefore for the CSP, were met. The contribution of the AfDB's assistance is, therefore, rated ***satisfactory*** in this respect. Growth was marginally weak relative to the CSP target of 7 percent per annum, partly due to the adverse terms of trade (mostly for coffee) in the early 2000s. However, macroeconomic stability was largely attained through the government's policies to maintain low inflation (at 5 percent per annum), achieve a stable exchange rate, and improve both its fiscal management (with an emphasis on revenue mobilization) and its expenditure management. The AfDB's support for the government's macroeconomic policy implementation and the HIPC initiative substantially contributed to achieving the poverty-reducing expenditure targets, maintaining fiscal prudence, and in export diversification. AfDB assistance in reducing government arrears and in enhancing internal revenue mobilization was weak though. Further, although the PRSL had an overall satisfactory outcome, it was not effective as an instrument for coordinating development assistance.

3.6 ***Private Sector****:* In order to enhance the economy's competitiveness**,** the AfDB, together with the WB, focused on three components required to support private sector development (PSD): (i) financial sector development and privatization, (ii) reform of the energy sector, and (iii) support for transportation, especially road construction. The two banks collaborated in these areas and their efforts were complemented by those of the IFC (in finance, privatization, and the power sector) and the IMF (in finance).

3.7 The AfDB helped to improve availability of lines of credit for on-lending to SMEs, but its involvement in PSD fell below expectations. The AfDB CSP included a separate pillar on PSD, but the program of assistance was limited to SME development and discrete private sector investment. The AfDB was the official chair of the PSD working group, but one of the least active members. 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***.

3.8 ***Physical Infrastructure—Energy:*** The AfDB and WB supported the enhancement of energy resources in Uganda, mainly through institutional reforms, capacity building, and via the Bujagali Hydroelectric Power (HEP) project. The AfDB also extended its support to improving other renewable energy sources with satisfactory results. Despite their efforts, the resulting institutional arrangements in the power sector promoted by the WB and AfDB differed substantially from their original intentions. The objective of minimizing government participation in the sector was not met, as assessed from three perspectives. First, the government continues to provide transfers to the distribution company as part of the agreement to raise tariffs to profitable levels. Second, the budget continues to support transfers for the construction of thermal plants. Third, to engage the private sector in power generation, the transmission company (still owned by the government) has had to engage in power purchase agreements to ensure that all the energy produced by the generators is purchased at the agreed price. A guarantee was extended to the distributor to ensure that tariffs would meet costs and generate a profit, and subsidies were offered to potential investors to reduce capital costs.

3.9 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. Nonetheless, the contract with the distributor sets targets for increased connection and these targets have been met. Efforts to increase access to energy in the rural areas have also met with limited success.[2] **The overall outcome of the AfDB support for the energy development is rated *moderately satisfactory*.**

3.10 ***Physical Infrastructure—Transportation***: As in the power sector, the AfDB has been a major partner in consistently supporting the government's program for the rehabilitation and maintenance of the national and district roads network. Notwithstanding the substantial improvments in the roads network, Ugandan entrepreneurs rank poor transportation infrastructure as the greatest impediment to doing business. The cost of transporting goods from Kampala to Mombasa (the main seaport) by road or rail remains high.

3.11 A limitation of AfDB assistance (as well as that of the WB) was the over-emphasis at the project level on meeting notional quantitative output targets rather than focusing on the likely positive economic impact of road network development. As a result, travel times and costs were not reduced as much as they could have been. The strategy for transportation should have given equal emphasis to increasing Uganda's effective access to regional and global markets. In addition, better monitoring and evaluation would have been desirable, such as detailed statistics to track progress on costs and travel times. Thus, while adequate progress was made in setting up a 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 AfDB's assistance to transportation and logistics is rated *moderately satisfactory.***

3.12 ***Agriculture:*** **The AfDB's contribution to the subcomponent "Agriculture" was rated *satisfactory.*** The support had a largely rural focus for improving the incomes of the poor through increased agriculture productivity and diversification and was channelled through the Plan for the Modernization of Agriculture (PMA). 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 shift, though too early to accurately assess its results, was appropriate in seeking to redress the unbalanced implementation of the PMA. The support for communal roads and rural infrastructure made substantial progress. The integrated approach also helped to reduce soil degradation, commercialize small-scale agriculture, and develop fish and livestock farming. The expectation of a sustained growth of 3 percent per annum for agriculture was, however, not achieved, thus contributing to the relatively slow pace of rural poverty reduction.

Human Development

3.13 The AfDB's support to human development focused on enhancing access to primary healthcare, quality post-primary education, and to safe water and sanitation, as analyzed

[2] 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 outline a strategy on energy commensurate 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.

separately below. It was highly relevant to Uganda's development challenges and aligned to the government's PEAP and strategic programs. 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 at the time, given the lack of progress on some of the social indicators. The CSP (2002-2004) largely depended on the PEAP outcome targets and did not establish independent baseline and intermediate-level indicators. The AfDB's aid delivery instruments were similar to those used by the WB and other development partners in the water sector. However, in supporting human development initiatives, the AfDB demurred on the use of the SWAp and general budget support (GBS), which were the preferred instruments of the other development partners.

3.14 Another weakness of AfDB's strategy in the early years was its focus on the rehabilitation of infrastructure and access issues, although the strategic emphasis later evolved toward quality issues. The failure to address the issue of high population growth rate, which constitutes a key constraint to poverty reduction efforts, was a major omission. The implementation of the assistance also suffered from delivery delays, inadequate counterpart funding and monitoring and reporting, and limited use of some of the deliveries.

3.15 **The outcome of the AfDB's assistance in both education and health is rated *moderately satisfactory.*** The AfDB support was, as previously mentioned, largely oriented toward infrastructure and capacity building; it failed to effectively address the quality constraint and the delivery inefficiencies. 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 there is a greatt shortage 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 services, which were hampered 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.

3.16 **The outcome of AfDB's support to water and sanitation is rated *satisfactory.*** 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. There is a need for to pay more attention to disadvantaged beneficiaries, especially the rural poor and women. Other areas highlighted as needing attention are sanitation provision and hygiene mitigation, which could help in the attainment of health MDGs.

3.17 As its overall contribution to improved access and coverage in health, education, and water supply and sanitation support was limited by the delivery deficiencies and the weak focus on quality issues, **AfDB's achievement overall for human development is rated *moderately satisfactory*.**

Table 1: Summary of Outcome Ratings for African Development Bank Assistance

Strategic CSP Goals	*Achievement of Associated CSP Results*	*AfDB Program Outcome Ratings*
Governance		Moderately satisfactory
Decentralization	Assistance helped strengthen institutions and human capacity in financial management and accountability of local government. This helped to improve 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 the availability of lines of credit to SMEs. Support for communal roads is helping to 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 transportation costs.	Moderately Satisfactory
Agriculture	The diversified approach to supporting agriculture yielded mixed results: sustained growth in agriculture of 3 percent has not been achieved, but the integrated approach is helping to reduce soil degradation, commercialize traditional agriculture, and to develop fisheries and livestock rearing.	Satisfactory
Human Development		Moderately satisfactory
Health	Improvements in regional access to mental health and primary healthcare services were achieved, but severe shortages of staffing and drugs continued to limit effective access to mental healthcare. 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

4. ALIGNMENT AND HARMONIZATION

4.1 Although aid alignment and harmonization were not explicit aims of any strategy evaluated under the JCAE, 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 of 1997, in which the government encouraged the development of a sector-wide approach (SWAp) and the introduction of general budget support (GBS), which includes: sector budget support; support notionally earmarked for the Poverty Action Fund (PAF); and support not earmarked for 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.

4.2 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. In the view of some, this has negated 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 on Aid Effectiveness.

4.3 The aid harmonization mechanism in Uganda is also making progress. With GBS currently accounting for about half of 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. The World Bank has shifted its emphasis toward budget support, although it still provides almost half of its assistance through projects. The AfDB provided one round of budget support through the Poverty Reduction Support Loan (in 2002). However, because of restrictions on the 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.

4.4 **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.

4.5 How has the AfDB pursued alignment and harmonization? The AfDB has taken a number of measures: it has established a field office in Kampala; it has adopted GBS as one of its aid delivery instruments; furthermore, it has participated in the donor alignment process through Local Development Partners’ Group Meetings, the UJAS, and the Division of Labour exercise. Although the field office only became functional in 2004, it has substantially helped to improve the delivery of the AfDB’s assistance and its participation in alignment and harmonization processes. At the time of the UJAS, the field office had relatively limited resources and capacity, with almost no decision-making authority, thus weakening its effectiveness. 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 a lack of appropriate expertise at the country office.

4.6 **WB-AfDB collaboration** has taken place in the following main areas: joint sector working groups; program identification; support for the Poverty Action Fund (PAF); as well as in assisting the government to monitor the PEAP's implementation and track public expenditures, especially those for reducing poverty. Both institutions participated in the PAF, which was instrumental in improving budget management, the accountability of public expenditures, and in the decision of development partners to adopt the GBS. Most of the WB and AfDB programs were implemented in parallel, especially with respect to education, agriculture, power, and water and sanitation, but with well-defined areas of influence, such as concentration of activities in different districts.

4.7 However, this collaboration has had modest results, owing principally to four main problems. First, the agreed areas of cooperation were too broad relative to the resources available to the two banks. Second, the effort to reduce mission overload on the government (by promoting joint missions) imposed increased transaction costs for both banks, especially in terms of joint planning and reporting, and in harmonizing procurement practices. Third, there needs to be increased staff incentives for effective partnership, 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 development partners behind country strategies and to harmonize approaches with country systems.

4.8 The delivery of part of the AfDB assistance (about 8 percent of the commitment for the period) through its general budget support mechanism (the Poverty Reduction Support Loan or PRSL) facilitated policy dialogue and entailed relatively low transaction costs**.** This mechanism had, however, a number of design limitations relating to conditionalities and the lack of complementary interventions. In the absence of a joint budget support mechanism, each budget support provided by development partners (including that of the AfDB), had separate conditions attached to it. In view of the relatively large number of development partners providing budget support, this served only to increase transaction costs. Another failing was that the PRSL was not complemented by technical assistance or capacity-building, which might have enhanced its effectiveness. As a result, the AfDB's budget support made only a modest contribution toward harmonization and alignment of aid processes in Uganda.

4.9 The UJAS was aligned to the PEAP and facilitated (i) the adoption of common development priorities among the development partners and (ii) the creation of a number of functional working groups. However, the UJAS had major limitations. First, it had only a limited effect on the expected reduction of transaction costs. This was mainly due to the large number of development partners and lack of effective participation by some of them, including the AfDB, in pooled funding arrangements. Second, while the establishment of the working groups reduced the need for the government to interact with numerous individual UJAS members, it was nevertheless obliged to invest more effort in managing group meetings. Similarly, the creation of several working groups demanded more effort from development partners in planning and agreeing on issues. Third, the AfDB partnership efforts were inhibited (i) by the limited resources at the disposal of its field office and (ii) in SWAp arrangements by its restrictive policy on the procurement of goods and services. In addition, as the UJAS membership covered only about a quarter of the development partners that were providing assistance to Uganda, the government had to do business with both the UJAS and non-UJAS development partners. The UJAS was also weak in a number of areas: in proposing a well-defined leadership framework; in finalizing an effective monitoring and evaluation system; as well as in dealing with predictability issues.

5. RISK TO DEVELOPMENT OUTCOMES[3]

5.1 On balance, **the risk to the AfDB's development outcomes is rated *substantial*** mainly because of the failure of the assistance to significantly improve the government's capacity to mobilize domestic resources, as well as the potential for political tension. The **institutional development impact of the AfDB's assistance was *substantial***, 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. However, the tax revenue to GDP ratio remained 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, limiting the scope for flexibility in policy options. Further, the high likelihood of political tensions, largely linked to the electoral process and to a lesser extent to the conflict in the north, was not adequately and effectively addressed.

6. LESSONS AND RECOMMENDATIONS

Lessons

6.1 There are five key lessons emerging from the principal JCAE findings, which are applicable to both the AfDB and WB assistance in Uganda in 2001-2007:

i. **In translating objectives into programs of assistance, there is a need to review all 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.

[3] 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); see also Annex B, paragraph 11.

ii. **Support for policy reforms aimed at broad-based governance outcomes, such as the reduction in public sector corruption, needs to be founded 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 to reduce corruption. Although the strategies and program designs underlying the support were relevant and aligned to the PEAP, 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, their impact on the reduction of corruption was not clear.

iii. **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 ones or by refurbishing old ones. The rapid expansion in institution-building was not always accompanied by comparable gains in outcomes because insufficient time was allowed for the process to take root. Building institutions requires legislation, adequate staffing, and leadership, which usually take longer to assemble than can be anticipated in the original programs. In addition, a better understanding of the political context and a focus on basic risk analysis could help to define a more realistic time horizon**.**

iv. **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 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 had an indirect bearing by decreasing budgetary space for allocations to basic service delivery. Examples include the abolition of the graduated tax and the creation of new districts with associated high costs and capacity building challenges.

v. **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 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

6.2 Building on the lessons above and the recommendations provided in the 1986-2001 OPEV-CAE for the AfDB, the main recommendations are set out below (the Management Response is set out in Table 2, which follows):

i. **To strengthen AfDB's presence in-country by relocating sector specialists in order to raise the AfDB's 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.

ii. **To use the AfDB's limited resources more effectively, and to seek deeper engagement in a limited set of areas.**

iii. **To 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.**

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

Table 2: Uganda JCAE Recommendations and AfDB Management Response

Recommendations for AfDB	*AfDB Management Response*
1. 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.	1. 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.
2. To use its limited resources more effectively, seek deeper engagement in a limited set of areas	2. 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).
3. 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.	3. 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.
4. 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 facilitates 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.	4. 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).

ANNEX A: UGANDA JOINT COUNTRY ASSISTANCE EVALUATION SUMMARY

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.

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 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 subratings 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 o 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 inefficiency issues and concerns with Uganda's attainment of MDG2.	Moderately Satisfactory

Strategic CAS Goals	Achievement of Associated CAS Results	WB Program Outcome Ratings
Water & Sanitation (service delivery aspects)	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.	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
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.*

ANNEX B: Guide to IEGWB's Country Assistance Evaluation Methodology[4]

1. This methodological note describes the key elements of IEGWB's country assistance evaluation (CAE) methodology.[5]

CAEs rate the outcomes of Bank assistance programs, not the Client's 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 that achieved good overall development results, notwithstanding the weak Bank program; and,
- satisfactory outcomes in Clients that 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.

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,

[4] IEGWB is the Independent Evaluation Group of the World Bank.

[5] 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.

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:

Highly Satisfactory:	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.
Satisfactory:	The assistance program achieved acceptable progress toward all major relevant objectives. No best practice achievements or major shortcomings were identified.
Moderately Satisfactory:	The assistance program achieved acceptable progress toward most of its major relevant objectives. No major shortcomings were identified.
Moderately Unsatisfactory:	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.

Unsatisfactory:	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.
Highly Unsatisfactory:	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.

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.*

ANNEX C: Uganda JCAE –– Approach and Activities

The JCAE was guided by an approach paper, laying out inter alia the evaluation themes, questions and process. The evaluation included the following activities and inputs:

- A three-week in-country field visit by a team of six evaluators in January 2008 and stakeholder interviews. Apart from the stakeholder discussions in Kampala, the team visited two projects outside Kampala; one funded by the AfDB and ther other by the World Bank. The stakeholder interviews included senior Government of Uganda (GOU) officials, primary project beneficiaries, 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.

- Five commissioned background papers on; i) macroeconomics and growth, economic management, aid harmonization, and budget support; ii) human resources, health, education and capacity building; iii) aid flows, budget support and donor harmonization; (iv) agriculture and rural development; infrastructure (transportation, telecommunication, power, and water and sanitation). The review of the effectiveness of the AfDB assistance to the Education sector in Uganda undertaken by OPEV in parallel also provided an input to the second JCAE commissioned background paper.

- Evaluative evidence extracted from the background papers, stakeholder interviews and other documentations including relevant parts of recent sectoral, thematic, and "corporate" evaluations; project assessments, including, Project Completion Reports (PCRs), PCR reviews and Project Performance Evaluation Reports (PPERs), and other relevant literature. This provided the basis for rating the outcomes of the Bank assistance.

- Draft CAE report , which was circulated for comments to Operations Complex, peer-reviewers and Government. No formal comments were however received from Government.

- Final CAE report, reflecting to the extent possible the available comments, and also included a formal Management Response.