



1. Operation Information

Operation ID P173906	Operation Name UG COVID-19 Economic Crisis & Recovery
Country Uganda	Practice Area (Lead) Macroeconomics, Trade and Investment

Non-Programmatic DPF

L/C/TF Number(s) IDA-67360	Closing Date (Original) 30-Jun-2021	Total Financing (USD) 304,108,911.87
Bank Approval Date 29-Jun-2020	Closing Date (Actual) 30-Jun-2021	
	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	300,000,000.00	0.00
Revised Commitment	300,000,000.00	0.00
Actual	304,108,911.87	0.00

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2. Program Objectives and Pillars/Policy Areas

a. Objectives

The Financing Agreement of the Uganda COVID-19 Economic Crisis and Recovery Development Policy Financing (DPF) identifies the project development objectives (PDOs) as “to strengthen the crisis response and protect the most vulnerable and support faster economic recovery and debt transparency.” The PDO was consistent across Financing Agreement, Program Document and Implementation Completion Report (ICR).



This PDO can be separated into three objectives given the lack of a credible causal link between faster economic recovery and an increase in debt transparency (i.e., these are separate and distinct objectives).

For the purposes of this ICRR, the objectives are taken as:

- Objective 1: to strengthen the crisis response and protect the most vulnerable
- Objective 2: to support faster economic recovery
- Objective 3: to support debt transparency.

b. Pillars/Policy Areas

For the purposes of this ICRR, the pillars are taken as those stated in PD2 section 1.1, consequently, Objective 1 corresponds to Pillar 1 while Objectives 2 and 3 correspond to Pillar 2.

- Pillar 1: Strengthening crisis response and protecting the most vulnerable
- Pillar 2: Supporting faster economic recovery and debt transparency

c. Comments on Program Cost, Financing and Dates

The Uganda COVID-19 Economic Crisis and Recovery DPF was a stand-alone DPF approved on June 29th, 2020, for an amount of \$300 million in IDA financing. It became effective on July 15th, 2020, and was closed on June 30th, 2021. Actual disbursement stands at \$ 304,108,912. This discrepancy was due to exchange rate movement. The US\$ gained from equivalent SDR = \$1.37174211 at the time of formulating the DPO, to SDR = \$1.39053 at the time of disbursement (July 15, 2020). The SDR amount remained the same at SDR 218, 700,000, as was signed in the financing agreement.

3. Relevance of Design

a. Relevance of Objectives

Relevance to country context

While the combination of *strengthening the crisis response* and *protecting the most vulnerable* and *supporting faster economic recovery* could be considered overly broad as an objective for a single operation, it made sense within the uncertain crisis context of the early days of the COVID-19 pandemic. The financing provided through this operation was urgently needed to help close a large financing gap, limiting the need for costly domestic borrowing and preventing a more protracted crisis.

The COVID-19 outbreak added to pre-existing economic and social constraints facing Ugandans, especially the poor and vulnerable households. Uganda recorded the first confirmed case of COVID-19 on March 21, 2020. The number of confirmed cases had risen to 460 by June 2, 2020, although a national lockdown had started on April 1, 2020. Over three-quarters of the cases reported and hospitalized recovered, but the country's official record of death from COVID-19 was reported to be heavily underestimated (Lancet, 2022). With many jobs lost, and livelihoods affected for several months, poverty increased, and economic



activity slumped. In urban areas, COVID restrictions reduced incomes in the services, manufacturing, and construction sectors. This led to a drop in demand that, together with a slowdown in trade, lowered demand for food and agricultural products with negative implications for the incomes of rural households.

COVID measures and spillovers from the global recession slowed economic activity and dented economic prospects. Declining demand for Ugandan exports caused by recessions abroad and a decline in Uganda's tourism industry undercut economic growth, with real GDP growth initially projected to be cut by half. The sharp decline in world oil prices in 2020 and 2021 further dented investment in Uganda's nascent oil industry output. The pandemic's deteriorating effect on the external balance also widened balance-of-payments financing requirements. Although poverty declined in the pre-COVID period, most households still relied heavily on agriculture and remained vulnerable to climate change and weather shocks.

Already rising before COVID, the pandemic caused a further increase in the risk of debt stress. Prior to the pandemic, fiscal and debt vulnerabilities were rising as a result of infrastructure expansion. The fiscal deficit widened further as the revenue shortfalls due to the COVID-19-related reduction in revenues, including from value-added and excise taxes, combined with increased expenditures needed to manage the pandemic. The deficit was financed mainly through external borrowing, but recourse to domestic sources intensified and risked crowding out private-sector borrowing. At 2.8 percent of GDP in FY19, domestic arrears remained a persistent problem. The overall fiscal gap was estimated at over US\$540 million in FY20 and over US\$1 billion in FY21. Over this period, public debt rose by 10 percentage points of GDP from 37.3 percent of GDP in FY19. While debt levels remained sustainable, debt vulnerabilities were increasing, driven by (pre-pandemic) public investment and current spending, and subsequently spending related to the COVID-19 response, with debt servicing eventually absorbing 42 percent of revenues and grants.

The relevance of the crisis response operation is grounded in the severe cost of COVID-19. The PDOs of strengthening the crisis response, protecting the most vulnerable, and supporting faster economic recovery were relevant to addressing the direct and indirect health and economic impacts of the pandemic. Alleviating financial pressures on individuals and companies whose earning ability was adversely affected by the emergency quarantine supported the livelihoods of poor and vulnerable individuals. That said, while an increase in debt transparency is a positive development, it is not well established that a lack of debt transparency was a major cause of or risk to the high level of debt stress in Uganda.

While relevant, the objectives of the operation were pitched at too high a level to support meaningful accountability and were too ambitious for the PAs to make significant progress toward their achievement. This is especially the case for the objectives of Pillar 2, *supporting faster economic recovery* as PAs 4 and 5 were considerably narrower, intended only to affect certain sectors of the economy while PA 5's effects were further limited to 10 districts.

Relevance to CPF and country development strategy

The operation aligns well with the WBG CPF 2016-20 for Uganda and the draft Performance and Learning Review (PLR - Report No. 101173-UG).

Pillar 1 of the operation is aligned with the first of the three CPF focal areas – *Strengthening Governance, Accountability and Service Delivery* – by strengthening the government's capacity and ability to respond to and manage the COVID-19 crisis. This includes health response measures that will sustain and improve health-related social service delivery. Furthermore, by continuing the provision of essential water and electricity



services the DPO supports the accessibility of these services to the urban and rural poor. PA3 extends the coverage of social protection and labor programs as envisioned in the CPF, which links to the fourth objective, *Enhanced Resilience of the Poor and Vulnerable*, under the second CPF focal area *Raising Incomes in Rural Areas*. This also aligns with the Government’s aim to support restoration of livelihoods through direct income support and implementing labor-intensive public works to restore incomes.

Pillar 2 focused on mitigating the impacts of the pandemic on businesses and debt transparency. The second pillar of the operation ties to the second and third – *Boosting Inclusive Growth in Urban Areas* – focal areas of the CPF. This pillar aimed to ensure that businesses and jobs were supported during the crisis so that they could recover quickly post-pandemic – critical for sustaining growth, particularly in urban areas. While the DPF included mostly short-term emergency measures, which are unlikely to sustainably contribute to the CPF goal, these measures were aligned with the Systematic Country Diagnostic (SCD) proposed key action “Increase low-cost access to finance for firms, informal sector, and farmers, including loans for short-term COVID-19 recovery and longer-term finance.” Through the e-voucher system, this pillar also aimed to improve agricultural productivity, which is necessary for supporting the recovery and the country’s drive towards agricultural commercialization and enhancing the resilience of poorer households in rural areas (both objectives of the second CPF focal area). This also aligned with the GoU’s aim to support the restoration of livelihoods by increasing access to better quality inputs for agriculture through the e-voucher program. While the FY2016 CPF and especially the 2021 SCD Update cited the importance of improved public debt management, neither directly identify debt transparency as particularly problematic or the source of either debt accumulation or debt stress although the 2018 DeMPA notes that Uganda does not meet the minimum requirements for the completeness and timeliness of debt recording and risk management and therefore is a potential source of fiscal risk. Finally, the operation addressed key shifts proposed at the PLR stage for the CPF, including responding to the health and economic impacts of the COVID-19 crisis and strengthening social protection.

b. Relevance of Prior Actions

Rationale

The operation had a total of six Prior Actions in three clusters of reforms, including a total of 12 subactions.

Table 1: Objectives and Prior Actions for UG COVID-19 Economic Crisis & Recovery

Prior Actions
Objective 1: to strengthen the crisis response and protect the most vulnerable
PA 1: To ensure access to critical medical materials and equipment, the Recipient has (a) through the Minister of Finance, Planning and Economic Development (“Minister of Finance”) submitted to Parliament Tax Bills providing for one-year excise and VAT exemptions and (b) notified the East African Community (EAC) Council on customs exemptions, on products used to prevent, treat, and manage COVID-19.
PA 2: To ensure continued access to basic utilities, the Recipient has, (a) through Ministry of Water and Environment and Ministry of Energy and Mineral Development published a list of critical service providers to whom utility services will be guaranteed, and (b) through the Minister of Finance submitted to Parliament a supplementary budget for the approval of funding to the water and electricity companies adversely affected by the Executive’s decision not to disconnect vulnerable consumers during the period April to June 2020.



PA 3: To provide support to those affected by the floods, the COVID-19 shock and related mobility restrictions and to streamline the social safety nets system, the Recipient has,
(a) through Cabinet approved

(i) a labor-intensive public works programs in the roads and water and environment sectors to provide income support for a two-month period to informal sector workers, and
(ii) the expansion of the beneficiaries under the Senior Citizen Grant (SCG) and funding for the SCG program;
and

(b) through Memoranda of Understanding (MOUs) signed between relevant core ministries and agencies established a national single registry for beneficiaries of safety net programs.

Objective 2: to support faster economic recovery

PA 4: To provide liquidity to businesses, the Recipient has,

(a) through the Minister of Finance submitted to Parliament the Tax Procedures Code (Amendment) Bill, 2020 providing for (i) deferment until September 2020 of corporate tax, tax on employment income and presumptive tax payments due between April 2020 and June 2020, for entities or persons in the manufacturing, tourism, horticulture and floriculture sectors with a turnover below UGX 500,000,000; and

(b) through the Bank of Uganda,

(i) provided extra liquidity to commercial banks, and microfinance deposit taking institutions and credit institutions, and

(ii) granted exceptional permission to Supervised Financial Institutions to restructure loans of corporate and individual customers.

PA 5: To improve effective distribution of agricultural inputs, the Recipient has through the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF) rolled out the e-voucher system to 10 additional districts.

Objective 3: to support debt transparency

PA 6: To enhance debt transparency, the Recipient has through the MoFPED published the verified stock of domestic arrears with a time lag of less than one year; upcoming SOE guarantees and other contingent liabilities from legal proceedings.

The operation provided emergency financing as the government of Uganda strived to maintain macro-fiscal stability, while also supporting businesses and households, particularly the most vulnerable, in managing the impacts of COVID-19 and the locust invasion. The program document provided a clear, detailed rationale for each PA and the expected results.

Objective 1: to strengthen the crisis response and protect the most vulnerable

PA 1 aimed to improve access to critical medical materials and equipment. The government used tax exemptions to lower the cost of imports and local production and hence increase access to materials for the prevention, detection, and treatment of the virus. This PA was grounded in both World Bank COVID analytics and country-specific analytical work from the Ministries of Finance and Health. Overall, there is a clear and convincing results chain linking PA 1 to Objective 1. PA 1 is therefore rated **Satisfactory**.

PA 2 aimed to ensure the continuity of water and electricity providers to protect households' livelihoods. Uninterrupted electricity access would strengthen the ability of first responders to work effectively during the emergency period, especially to power medical equipment such as ventilators. The prior action also aimed to clarify the targeted beneficiaries by publishing a list of first responders to epidemics and important education facilities; develop a funding mechanism to ensure the supply of affordable water, sanitation, and electricity to



these first responders and education facilities; declare water and electricity essential services; and provide financial support through a supplementary budget to ensure business continuity of these companies. As noted in the ICR, more specificity on the quantity or the duration for which government would compensate the losses would have strengthened the PA. This PA was informed by both World Bank COVID analytics and country-specific analytical work from the Ministry of Finance. There is an explicit and convincing results chain linking PA 2 to the objective. PA 2 is therefore rated **Satisfactory**.

PA 3: A study by UNCDF estimated that up to 4.4 million informal sector workers would see their earnings fall below the poverty line or dry up completely. PA 3 aimed to provide immediate support to those affected by shocks (floods, COVID-19, and pandemic restrictions) while streamlining the social safety net system (both institutions and instruments) to enhance capacities to respond to future crises and mitigate impacts on vulnerable households. The key effort was the labor-intensive public works programs which provided two months of income support to unemployed informal sector workers. With the benefit of hindsight, two months was a short period compared to the length of the pandemic. However, at project design expectations were of a short shock and the GoU opposed an overly long LIPW program. The second part of this prior action, an expanded Senior Citizen Grant program, eased the burden of the crisis on senior citizens. Finally, establishing a single national registry for beneficiaries of safety net programs, contributed to building a more robust system for responding to future shocks, and represented a significant institutional reform. The consequent acceleration of registration also aided the payout of transfers for the SCG (PA 3.a.i). The PA was informed by ongoing work under other projects, for example, Northern Uganda Social Action Fund (NUSAF) and Development Response to Displacement Impact (DRDIP), as well as WB analytics. Grounded in Uganda's substantial experience in planning, designing, and implementing LIPW in both rural and urban settings there is an explicit and convincing results chain linking PA 3 to Objective 1. PA 3 is therefore rated **Satisfactory**.

Objective 2: to support faster economic recovery

PA 4 aimed to provide liquidity relief to businesses and households through multiple channels. One was the tax deferment to temporarily lessen the tax burden for businesses particularly affected by the pandemic and pandemic-related mobility restrictions and supply chain disruptions. This provided immediate relief from monthly taxes (e.g., VAT, Pay-As-You-Earn) and biannual corporate business tax (CIT), allowing firms to continue their operations without laying off workers. The PA targeted the most critical tax liabilities facing businesses in the most affected industries. The measure was designed to benefit both formal and informal sector firms and the UGX 500 million upper limit effectively limited support to SMEs, the most vulnerable businesses. PA 4 also aimed to provide extra liquidity to financial institutions thus shoring up private sector liquidity, which was under pressure from additional domestic government borrowing, to prevent a rise in non-performing loans which could have destabilized the banking sector. Finally, PA 4 provided relief to individuals and businesses by granting exceptional permission to supervised financial institutions to restructure loans. The PA was informed by WB analytics as well as work by the Ministry of Finance and the Bank of Uganda. PA 4 is therefore rated **Satisfactory**.

PA 5: Current yields for Ugandan crops are estimated at only 20-33 percent of the potential yield for rain-fed agriculture. Access to high-quality agricultural inputs is critical to enhancing agriculture productivity. PA 5 aimed to support the expansion of the e-voucher system to enhance agricultural productivity. It was informed by two pieces of relevant WB country-specific analytics. Already piloted under a World Bank Agricultural Cluster Development Project (ACDP), the e-vouchers would enable farmers to choose where to buy inputs such as fertilizer, certified seeds, and agrochemicals in the market. The operation aimed to expand the existing e-voucher system to another 10 of Uganda's 136 districts reaching an additional 20,000 farmers. The anticipated increased use of pesticides and fertilizers necessitated extending the existing Integrated Pest Management



Plan and other systems to the 10 districts through agricultural extension services. The goal of PA 5 was to encourage smallholder farmers to adopt agronomical practices that raise yields and incomes while promoting the sustainable productivity of the land and hence reducing climate vulnerability, as well as contributing to mitigation efforts since soil health is associated with its ability to store carbon. The strength of the link between sustainability benefits and this PA is such that it is highly uncertain that they will materialize over the life of the operation. Even if focusing strictly on the agro-economic benefits the success of the PA was dependent on various factors beyond the reach of the project: “To ensure results, this action was to be followed by other measures including, putting in place relevant ordinances to enable local governments to institute necessary legal action to strengthen enforcement and development of an accreditation system for agro-input dealers to enable traceability.” While a prudent measure, the PA’s expected progress toward the objective is contingent on subsequent actions not contained in the operation. If successfully scaled to the national level the e-voucher system might well have substantial impacts, However, given the complex results chain, which was substantially outside the project’s sphere of control and the PA is likely to have only a limited effect towards achieving Objective 2. PA 5 is rated **Moderately Unsatisfactory**.

Objective 3: to support debt transparency

PA 6: To adequately assess vulnerabilities over the medium term, the transparency of contingent liabilities is necessary. The MoFPED published detailed information on PPPs and SOE’s explicit and implicit contingent liabilities, including upcoming government guarantees in the pipeline for Cabinet approval. PA 6 aimed to enhance debt transparency by also publishing the verified stock of domestic arrears with a time lag of less than one year, upcoming state-owned enterprises (SOE) guarantees, and other contingent liabilities from legal proceedings. The lack of timely domestic arrears data and contingent liabilities from legal proceedings detracted from Uganda’s track record of sound debt transparency and hindered the government in effectively managing these fiscal risks. Indeed, the 2018 DeMPA indicated that the government was performing poorly on many aspects of debt recording and risk management, with a score of D for completeness and timeliness suggesting that this prior action had value added. The publication of this data was expected to draw attention to the growing fiscal and debt risks, including arrears accumulation, which was expected to incentivize accelerated payment of arrears. However, to affect a reduction in arrears a PA focused on improved arrears management or public financial management would have been more valuable. Indeed, the 2021 SCD Update cites “: low tax revenues by sub-Saharan standards, disproportionately high current spending, and consistently ambitious capital spending marred by inefficiencies” as the three factors causing the increase in public debt and does not directly link debt transparency to Uganda’s debt trajectory. Although this PA would not have a direct impact on reducing the increasing debt burden it made a significant contribution to Objective 3 debt transparency and is therefore rated **Moderately Satisfactory**

Rating

Moderately Satisfactory

4. Relevance of Results Indicators

Rationale

Table 2: Results indicators by Objective and PAs; baseline and target values; status and



achievement							
Results indicator (RI)	Associated PAs	RI Relevance	Base-line	Target (2019)	Actual at target date	Actual as % of targeted change	RI Achievement rating
Objective 1: to strengthen the crisis response and protect the most vulnerable							
RI 1. Amount of exempted revenue, in support of imports of products to prevent, treat, and manage COVID-19	1	MU	UGX 0 (FY19)	UGX6.5 billion (Q4FY20)	UGX 7.99 billion	123%	High
RI 2.i Households disconnected from water services	2.a	S	78,706 (NWSC) 9,518 (MWE UAs) (FY19)	i) 0 (Q4FY20)	0	100%	High
RI 2.ii Number of residential, commercial, and industrial customers receiving uninterrupted electricity services during the quarantine period	2.a	S	1,636,350 (Q3 FY20)	1,628,000 (Q4 FY20)	1,628,000	100%	High
RI 3.i No. of recipients reached, Labor-Intensive Public Works (LIPW)	3.a.i	S	(i)136,571 (FY2019)	637,000 (FY21)	0	-21%	Negligible
RI 3.ii No. of senior citizens reached by SCG program	3.a.ii	S	150,000 (FY19)	350,000 (FY20)	304,155 (FY21)	77%	Substantial
RI 3.iii beneficiaries registered in established single registry	3.b	MS	0 (FY19)	1,090,880 (FY20)	1,454,813(FY22)	133%	High
Objective 2: to support faster economic recovery							
RI 4.i Liquidity provided to taxpayers on account of listed deferments on corporate tax, tax on employment income and presumptive tax payments for firms in	4.a.i	MS	0 (2019)	UGX125 billion (Q4 FY20 & Q1FY21)	UGX 277 billion (2020)	221%	High



the manufacturing, tourism, horticulture, and floriculture sectors with a turnover below UGX 500 million							
RI 4.ii Number of restructured loans to mitigate the impact of COVID-19 on borrowers	4.b.ii	MS	0 (2019)	30,000 (Q4 FY20)	893,018	297%	High
RI 5. Farmers registered for e-vouchers	5	MS	268,991 (FY20)	288,900 (FY21)	0	-93%	Modest
Objective 3: to support debt transparency							
RI 6. Stock of domestic arrears (percent GDP)	6	U	2.8 percent of GDP (FY19)	2.4 percent of GDP (FY20)	2.96 percent (FY20)	-40%	Substantial

Objective 1: to strengthen the crisis response and protect the most vulnerable

RI 1. (*Amount of exempted revenue, in support of imports of products to prevent, treat, and manage COVID-19*). The impact of PA 1 was tracked through the amount of exempted revenue, which was seen as an intermediate step to scale up COVID services by removing the taxes and thereby reducing their cost. This indicator leaves much uncertainty about the extent to which the exemptions actually lowered the cost of imports and stimulated local production. The exact impact on the actual costs of COVID services and products and the impact on Objective 1, is uncertain. An additional indicator capturing whether the actual cost of these services was reduced and/or whether the access to services improved would have been beneficial. While such an indicator would be encumbered by measurement and data access challenges, as well as an attribution problem, as the final price of a commodity is influenced by many other factors, this could have complemented RI 1 to create a more credible sense of impact. As VAT and Excise tax exemptions became effective on April 1, 2020, and import tax exemptions on July 1, 2020, a pre- and post-intervention market price comparison could have offered additional insight. Clarity of the RI definition, data source, and data availability are good, the RI is rated **moderately satisfactory** to measure the impact of PA 1 toward the achievement of the targeted outcome.

RI 2.i (*Households disconnected from water services*) **RI 2.ii** (*Number of residential, commercial, and industrial customers receiving uninterrupted electricity services during the quarantine period*). The two indicators captured the number of water disconnections and the continuation of electricity services. There was no result indicator tracking the financing of the utility providers to avoid financial stress (which the prior action targeted for by requiring cabinet approval of a supplementary budget). As the RIs adequately measured the impact of the PA 2.a towards the achievement of the targeted outcome both are rated **satisfactory**.

RI 3.i (*No. of recipients reached, Labor-Intensive Public Works (LIPW)*) **RI 3.ii** (*No. of senior citizens reached by SCG program*) These results indicators focused on raising the number of recipients of the LIPW and the SCG program. T RI 3.a.i and 3.a.ii are adequate to measure the impact of the PAs towards the targeted outcome and are therefore rated **satisfactory**.



RI 3.iii (*beneficiaries registered in established single registry*) This indicator captures the institutional strengthening impact of PA 3.b. to support a more rapid social protection response in future crises. As this preparatory for future social protection, the indicator does not capture a direct impact on the most vulnerable, however, given the limited timeframe of a stand-alone operation such would be impossible. Thus, it adequately measures the impact of PA 3.b towards the targeted outcome and is therefore rated **moderately satisfactory**.

Objective 2: to support faster economic recovery

RI 4.i (*Liquidity provided to taxpayers on account of listed deferrals on corporate tax, tax on employment income, and presumptive tax payments for firms in the manufacturing, tourism, horticulture, and floriculture sectors with a turnover below UGX 500 million*). The results indicator covered the relevant tax heads, sectors, and firm size, and hence directly supported the overall development objective of supporting firms. However, the RIs only capture liquidity released into the sectors but not improvements in the ability of firms to recover from the pandemic, nor did they capture the stated goal of preventing layoffs. Yet, this would likely have been challenging within the short timeframe and not easily attributable. Finally, the period of measurement (Q4FY20 and Q1FY21) was not aligned with URA's tax year for the CIT. This would later complicate the measurement and evaluation of the prior action. RI 4.i is therefore rated **moderately satisfactory**.

RI 4.ii (*Number of restructured loans to mitigate the impact of COVID-19 on borrowers*). This indicator directly tracked the impact of PA 4.b.ii through which borrowers who could not service their loans could get relief. Through the Bank of Uganda, PA 4.b.i also provided extra liquidity to commercial banks, microfinance deposit-taking institutions, and credit institutions. Evidence on liquidity provided by the Bank of Uganda to banks and other financial institutions through standby facilities, reverse repossessions, and other instruments is sensitive market information and could not be used as a results indicator. However, no alternative results indicators were included leaving the impact of PA 4.b.i. untracked. RI 4.ii is therefore rated **moderately satisfactory**.

RI 5. (*Farmers registered for e-vouchers*) The results indicator is an intermediate step that would lead to farmers accessing and utilizing the improved inputs and eventually impacting the productivity of the agriculture sector, in turn effecting a faster economic recovery. Given the time lag between being registered and having an impact on this anticipated outcome, this indicator provides a logical and measurable step to track within the one-year duration of the operation. That said, it leaves much uncertain about the progress toward faster economic recovery. Therefore, it is rated **moderately satisfactory**.

Objective 3: to support debt transparency

RI 6. (*Stock of domestic arrears (percent GDP)*). While the stock of domestic arrears is relevant to tracking the debt burden, it does not capture progress towards the formal objective of increased debt transparency. The publication of the report was intended to incentivize the GoU to prudently manage its arrears. However, there are strong attribution challenges between debt transparency and the arrears stock. This is illustrated by the fact that while the GoU did pay off old arrears, it incurred new arrears causing the target to be missed As the RI does not measure the impact of PA 6 on debt transparency it is rated **unsatisfactory**.



Rating

Moderately Satisfactory

5. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

To strengthen the crisis response and protect the most vulnerable
[PAs 1-3, RIs 1-3]

Rationale

Four of six targets were fully met or exceeded. One indicator achieved at least two-thirds achievement. One indicator saw no more than 25 percent of the targeted change realized by the target date.

RI 1: The health sector received tax exemptions for the procurement of medical supplies in response to COVID-19, as had been desired under this prior action. Bills were assented to by the President and put in the official Gazette on November 27, 2020, but all COVID-19 related VAT and Excise tax exemptions were effective April 1, 2020, and not limited in time, allowing for continuity in case the pandemic persisted. The import tax exemptions were valid for one-year effective July 1, 2020. Over the period from March to June 2020, exemptions for these medical supplies amounted to UGX 8.7 billion. This exceeded the target of UGX6.5 billion set in the DPF. By the end of September 2020, the volume of taxes foregone for this purpose had increased to UGX 14.7 billion. The largest amount of foregone revenue (28 percent of the total) was registered as “Other breathing appliances and gas masks”. Rating: **high**.

RI 2.i: Water and sanitation services were delivered continuously through the quarantine period, in line with the executive decision announced March 28, 2020, and the prior action, thus achieving the target. However, the water utility service providers were not timely compensated as was intended to happen through PA 2.b. On July 1, 2020 the water utilities were compensated for less than 25% of their total COVID-related loss for the first quarantine period, causing them financial difficulties. Rating: **high**.

RI 2.ii: Electricity service to all (1,636,350) residential, commercial, and industrial customers was not disconnected during the quarantine period of April to June 2020, thus achieving the target. The government did not compensate the utility service providers in a timely manner and the supplementary budget submitted to parliament in June (that is fulfilling prior action 2.b) was not paid. The main electricity provider used payment plans and MoU with large industrial customers to manage the financial losses and remain financially viable. Rating: **high**.

RI 3.i: Despite approval by cabinet in May 2020, the labor-intensive public works program did not take off and no recipients were reached. Funding was indicated as the main barrier to moving this action forward—the Ministry of Gender Labour & Social Development prepared the LIPW program concept with support from development partners, completed the design of the management information system, distributed the LIPW guidelines to key stakeholders, and planned for the registration campaign. However, funds released to finance this were not accessed by MGLSD as there were no clear modalities prepared for its access. In FY22, the MGLSD did secure an International Labor Organization grant of US\$300,000 to pilot the LIPW cash grant in one district – Arua, targeting 4,200 direct participants. The rating is **negligible**.



RI 3.ii: Given the funding and coordination constraints, the MGLSD used resources from its other programs to expand the SCG program. The program enrolled and paid 301,360 beneficiaries in FY20, against a target of 350,000, with a minor increase to 304,155 in FY21. Besides the funding shortage, technical challenges, e.g., lack of proper identification, also created challenges. Plans to pay the beneficiaries through home visits (originally expected to be completed by May 15, 2021) were yet to materialize at the time of the ICR. The rating is **substantial**.

RI 3.iii: Registration of beneficiaries required the signing of MoUs with the core ministries and agencies to establish the national single registry for beneficiaries of safety nets. This was delayed due to prolonged social distancing requirements for civil servants. The registry was launched in February 2021 meaning no beneficiaries were registered during FY20, leaving the target unmet. The registry registered 764,369 potential beneficiaries in FY21 and an additional 690,444 beneficiaries in FY22. Despite the delay, RI 3.iii is rated **high** as the late establishment of the registry did not undermine its effectiveness.

Rating

Moderately Satisfactory

OBJECTIVE 2

Objective

To support faster economic recovery
[PAs 4-5, RIs 4-5]

Rationale

Two of the three targets were met. One indicator was rated modest.

RI 4.i: The Tax Procedures (Amendment) Bill 2020 only became law on November 27, 2020. However, in anticipation of the tax amendment, starting in April 2020, the Uganda Revenue Authority did not enforce tax collection in the prescribed sectors, avoiding an implementation delay. The legal amendment thus provided a three-month extension to December 2020, of the de facto already existing tax deferment. The amendment also added education to the sectors covered by the prior action and allowed businesses with a turnover above the threshold of UGX 500 million to benefit as well. The revenue foregone due to deferment was not properly disaggregated by the FY quarter as required by the RI. However, the revenue deferred between April and December 2020 was estimated at UGX 277 billion. Interest and penalties waived added UGX 15.95 billion by the end of June 2021. Thus, the liquidity target was met, albeit with a delay given the late enactment of the legislation. Although achievement is high, the MU relevance rating prompts a rating of **substantial**.

RI 4.ii: Between April and July 2020, two commercial banks utilized extra UGX 60 billion liquidity from two Bank of Uganda assistance windows in line with PA 4.b.i. This part of the prior action did not include a results indicator. BOU's credit relief measures permitted supervised financial institutions to restructure loans of all borrowers affected by the pandemic, between April 2020 and September 2021. This was extended to, education and hospitality, sectors that remained under lockdown for a prolonged time, between November 2021 and September 2022. Between April and June 2020 (the DPF target period), 902,691 borrowers applied for a cumulative credit relief of UGX7.1 trillion from commercial banks. Of this, 893,018 loans worth UGX5.4 trillion were accepted for restructuring, thus exceeding the targeted 500,000 loans. Rating: **high**.



RI 5: The intended expansion of the effective distribution of agricultural inputs by rolling out the e-voucher system to farmers in 10 additional districts beyond those covered by the ACDP project did not materialize. Supplementary funding worth UGX 10 billion was provided to the MAAIF, which it used to procure the service providers, distribute seeds, and repair roads to prepare farmers, in the ten districts, for the e-voucher system. However, no further action was taken to register farmers for the e-voucher system, as the timing for its expansion was disrupted by the suspension of the e-voucher system within ACDP due to technical hitches, and the pandemic-induced mobility restrictions. The technical challenges were overcome in FY23, and the registration of farmers has resumed. The continued support for the e-voucher program has yielded other benefits. It has encouraged Government to move from free government provision to a market-based farmer participatory system for provision of agro-inputs. The new Parish Development Model (PDM) is using these demonstrative lessons and plans to provide loans to farmers for purchase of agro-inputs. In recognition of these other benefits of the PA, it is rated: **modest**.

Rating

Satisfactory

OBJECTIVE 3

Objective

To support debt transparency
[PA 6, RI 6]

Rationale

RI 6: MoFPED published the verified stock of domestic arrears with a time lag of less than one-year, upcoming SOE guarantees, and contingent liabilities from legal proceedings, in the *Report on Public Debt, Guarantees, Other Financial Liabilities and Grants* for FY19/20 and the *Medium-Term Debt Management Strategy FY20/21 to FY23/24*. The increased debt transparency has improved dialogue, with published information used by various entities including Civil Society Organizations and development partners. The government has also developed an arrears management strategy that has effectively reduced the rate of arrears accumulation from an average of 39% before FY19, to an average of 8% over FY20 and FY21. However, this was not the objective of this operation. Even if it were the objective, the target for arrears reduction was not met. Based on published verified arrears, the repayment of domestic arrears increased in FY20, which was projected to decrease domestic arrears from 2.8 percent of GDP in FY19 to 2.4 percent in FY20. According to the published debt report, total domestic arrears increased to UGX 4.1 billion (or 3.0 percent of GDP) in FY20 and further to UGX 4.7 billion (or 3.2 percent of GDP) during FY21. However, despite the lack of relevance of the RI, additional evidence provided by the team do demonstrate that debt transparency did improve. In recognition efficacy is **substantial**.

Rating

Satisfactory



Overall Achievement of Objectives (Efficacy)

Rationale

Objectives 1 is rated Moderately Satisfactory. Objectives 2 and 3 are rated Satisfactory.

Overall Efficacy Rating

Satisfactory

6. Outcome

Rationale

The operation provided emergency financing to the government at a time when it strived to maintain macro-fiscal stability. This allowed the government to close a large financing gap and prevent further deterioration of Uganda's debt sustainability. While an important outcome this does not factor into the overall outcome rating.

There was a mismatch between the ambitious and high-level objectives and the scope (and depth) of PAs. The operation met four of the targets for its ten results indicators within the targeted timeframe. The PAs successfully provided immediate passive support (i.e., canceled fees, taxes, and loans), direct transfers to the most vulnerable were delayed, limiting their effectiveness in providing immediate relief. There was a disconnect between the purpose of PA 6 (increasing debt transparency) and its associated indicator (reduced arrears).

As the Relevance of the PAs was rated moderately satisfactory and the Overall Achievement of Objectives (Efficacy) was rated satisfactory, the Overall Outcome rating is rated **Moderately satisfactory**.

a. Rating

Moderately Satisfactory

7. Risk to Development Outcome

The risk to program outcomes is substantial.

Substantial risks to program outcomes exist. Many of the measures were temporary. This is the case for most of the Prior Actions under Objective 1 as well as PA 4. Only PA 3.b, 5, and 6 were meant to achieve sustainable development outcomes. Low institutional capacity is the prime risk to sustainability as apparent from the failure to register farmers and distribute agricultural inputs (RI 5).

Uganda's governance challenges remain a substantial risk to sustainable DPO outcomes. The World Bank had not provided budget support to Uganda since 2012 when the Poverty Reduction Support Credit series came to an end on account of governance challenges. After 2012, Uganda completed a reform action plan that restored confidence in public financial management institutions. In FY17, a DPF aimed at supporting fiscal decentralization and improving service delivery in health and education was approved A



deep engagement during FY19 aimed at supporting fiscal management and economic resilience was short-lived due to governance concerns. These governance challenges were partly mitigated through further PFM reforms and a government commitment to publishing COVID-19-related expenditures quarterly. However, concerns remain on whether, in the absence of a COVID-19-like emergency, the GoU can ensure effective use of budget support funds.

Complementary efforts in other projects are ongoing. The World Bank and other donors support measures to improve governance in Uganda, including through the REAP programs and other World Bank programs. Examples include: (i) Uganda Intergovernmental Fiscal Transfers (UglIFT), whose major objective is to strengthen government service delivery at the LG and facility level; (ii) numerous World Bank initiatives to strengthen country procurement systems; and (iii) a new project to support the further digitalization of government services and systems.

8. Assessment of Bank Performance

a. Bank Performance – Design

Rationale

The design was informed by recent WB analytics on the impact of COVID and relevant mitigation measures as well as country-specific sector analytics, including a DeMPA. WB staff further drew from prior experience in the agriculture sector.

The DPO mitigated political risks around the allocation of financial benefits (e.g., tax deferments, social protection), which were heightened by upcoming elections, as well as overall fiduciary risks. This was achieved, not only through standard transparency and monitoring measures but also by sharing information on beneficiaries of the policy programs with civil society organizations. In addition, the GoU committed to presenting COVID-19-related spending separately in the budget when reporting outcomes and agreed to an independent audit of this spending should the need arise. The MoFPED also committed to (i) undertake quarterly audits of the COVID-19-related budget spending by the internal auditor general, to be published with a one-month lag alongside the standard budget performance reports and procurement performance reports; (ii) provide a separate reporting mechanism for COVID-19 expenditures in the context of the Program Based Budgeting quarterly allowing tracking of the support received from all partners; (iii) publish documentation on the government's website of large procurement contracts of COVID-19 expenditures, and (iv) undertake an independent audit of COVID-19 expenditures in about a year's time, which will include an ex-post validation of delivery of the large procurement contracts, and publishing the results. The results of the Auditor General's independent financial audit of FY20 COVID-19 expenditures have since been published and observed a commendable performance, with 95 percent of funds banked per the guidelines, according to the ICR. The identified shortcomings were mainly attributed to the emergency conditions and the lockdown measures.

The Program Document identified substantial risks to the achievement of development from weak institutional capacity. The team highlighted the often-significant time between decision and execution of programs. Uganda's Executive is highly centralized in the President, which can delay decision-making. Although accurately identified the project could not prevent the emergence of coordination, funding,



planning, and policy change challenges. Despite Uganda's 10 years of experience with DPFs assumptions about government capacity were overly optimistic. A stronger emphasis on building capacity and rigorous monitoring would have been warranted. Consequently, these challenges were not overcome and coordination challenges hampered the implementation of reforms associated with PAs 2.b, 3.a.i, 3.a.ii, and 5. Existing limitations were exacerbated by COVID restrictions.

Benefitting from the convening power of the DPF instrument, the World Bank team consulted with development partners and worked closely with ministries, departments, and agencies in the design of the actions and anticipated outcomes. The team closely coordinated with the IMF, which prepared parallel emergency support equivalent to US\$491.5 million. The DPF used the GoU's crisis response plan as a basis for the prior actions and results for the DPF and carried out identification and appraisal missions to ensure the operation was well understood by all relevant stakeholders.

Rating

Moderately Satisfactory

b. Bank Performance – Implementation

Rationale

Government commitment and implementation capacity were impaired by COVID-19-related disruptions. The two-month lockdown during FY20 and subsequent partial lockdowns through FY21 stalled activities and undermined the coordination of tasks, especially those that were field-based (e.g., PA 3.i and PA 5). This compounded already existing coordination challenges within the GoU. Following the disbursement of the funds in early July 2020, the World Bank continued dialogue and follow-up meetings to ensure the required follow-up actions were completed. It also engaged with other development partners in areas where they could render support, such as the LIPW program. A virtual supervision mission during the lockdown in November 2020 identified areas that required attention and risks to achieving the targets. Given the insufficient progress and an identified lack of proactivity and remedial measures, the mission raised its concerns with the authorities through a management letter, which included a roadmap on how to address the shortcomings. Unfortunately, by then this did not successfully ameliorate the situation which was further worsened by the policy changes accompanying the government shake-up after the election.

Rating

Satisfactory

c. Overall Bank Performance

Rationale



The operation identified and mitigated political, corruption, and fiduciary risks. Institutional capacity risks were identified but not adequately mitigated when implementation delays became apparent a virtual supervision and Management letter proved unable to sufficiently address this. The operation was informed by consultation with all major stakeholders.

Overall Bank Performance Rating

Satisfactory

9. Other Impacts

a. Social and Poverty

Social and poverty impacts were likely achieved but evidence is lacking. The most important social and poverty impact of the operation was achieved through the expansion of the senior citizens' program. It expanded expenditure per adult by 33% and added 154,155 beneficiaries to the pension role. Most recent household data is only available up to FY20, which does not allow a post-COVID-19 assessment of the Senior Citizens Grant.. PA 1 and 4 are also likely to have prevented welfare erosion, yet the exact poverty outcomes are uncertain. PA 2, the continuation of water and electricity services, are similarly likely to have had a positive social impact, yet data on the number of prevented disconnections was not collected from the various entities involved.

One of the operation's most significant achievements was the approval of the National Child Policy. Supported by the WB and UNICEF the Policy ensures the protection of children through a coordinated, comprehensive, inter-disciplinary, and multi-sectorial approach. This would prevent child mortality and promote children's health, including those within refugee hosting areas; promote holistic development and learning for all children; prevent, and protect children from all forms of violence, abuse, neglect, and exploitation; and strengthen systems for planning, programming, and delivery of quality childcare and protection of services. The National Child Policy was approved by Cabinet on June 22, 2020, and follow-up activities to support its operationalization have already taken place. The implementation plan, financed starting FY21, will scale up evidence-based interventions to prevent sexual exploitation and abuse of children, particularly girls in schools. This policy was strongly supported by WB Management and although it was not included in the policy matrix, in the Letter of Development Policy. However, the continuation of the operation was made contingent upon the policy's cabinet approval.

b. Environmental

The operation is unlikely to have had significant effects on the country's environment, forests, and other natural resources. This is partly due to the failure of the e-voucher input subsidy program. The support under PA#1 to ensure access to critical medical equipment led to increased imports and domestic production of such equipment and materials. The environment and health safety (EHS) risks and impacts posed by the disposal of such equipment and other materials related to the pandemic response were managed with the direct participation of the National Environment Management Authority, MGLSD, and the Ministry of Health, to ensure that such impacts were mitigated. The World Bank continued to support the government to strengthen waste management of



medical products through the COVID-19 health project. It developed healthcare waste management plans for laboratory investments and related equipment and built capacities to implement these plans.

c. Gender

The ICR presents no evidence for any differential gender impacts.

d. Other

Beyond the prior actions and results specified in the results framework and those described above, several gains were made during the crisis around transparency of expenditures during the crisis. The GoU presented COVID-19-related spending separately in the budget outcomes, carried out quarterly audits of COVID-19-related spending as part of the routine quarterly audits, and produced budget monitoring reports on COVID-19 spending. In addition, the Auditor General undertook an independent audit of this spending. The cross-institutional impact of the DPF provided important input to developing consistent policies and programs across government ministries and agencies.

10. Quality of ICR

Rationale

The quality of the ICR is rated **Substantial**. The ICR is overall well written and provides a thorough summary of the context at appraisal and the rationale for the operation. It presents a coherent narrative of the operation and its results through its discussion of the prior actions and their relevance. However, the ICR offers insufficient argumentation to support the High outcome rating for the indicators that were achieved with a delay. Concerning the indicators that saw no traction at all, the ICR does not sufficiently clarify whether those problems could have been overcome with additional support. Yet overall, the ICR is consistent with the guidelines in discussing the achievement of objectives, other outcomes, Bank performance, risks, and lessons, although the latter are fairly generic.

a. Rating

Substantial

11. Ratings

Ratings	ICR	IEG	Reason for Disagreement/Comments
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Outcome	Moderately Satisfactory	Moderately Satisfactory
Bank Performance	Satisfactory	Satisfactory
Relevance of Results Indicators	---	Moderately Satisfactory
Quality of ICR	---	Substantial

12. Lessons

The ICR identifies lessons across three categories, (A) specific to Uganda, (B) Specific to Emergency Operations, and (C) General DPF operations. The lessons on (C) General DPF Operations are generic and are unlikely to have meaningful operational value added. The lessons specific to Uganda and those specific to emergency operations have been redrafted for clarity, coherence, and value-added.

An additional lesson was added:

1. To conduct impactful DPOs in Uganda, complementary support for areas in which the government has demonstrated implementation capacity shortcomings is needed. Future DPOs would benefit from concrete efforts to improve coordination and implementation capacity within the GoU and strengthened monitoring arrangements.
2. The design of emergency DPFs must rely on existing diagnostics to target measures that support robust and sustainable policy reform. Providing emergency support during a crisis requires rapid program preparation. It is therefore critical to ensure that core diagnostics are up to date to meaningfully inform the design of prior actions and the identification of reform priorities.

13. Project Performance Assessment Report (PPAR) Recommended?

No