Report Number : ICRR14300

IEG ICR Review

Independent Evaluation Group

1. Project Data:		Date Posted :	04/29/2014	
Country :	Uganda			
Project ID :	P083809		Appraisal	Actual
Project Name :	Private Sector Competitiveness II	Project Costs (US$M):	72	53
L/C Number :	C3975	Loan/Credit (US$M):	70	50.7
Sector Board :		Cofinancing (US$M):		
Cofinanciers :		Board Approval Date :		09/02/2004
		Closing Date :	07/31/2010	02/28/2013
Sector(s):	Central government administration (35%); Other industry (30%); Micro- and SME finance (15%); Agro-industry (10%); Other domestic and international trade (10%)			
Theme(s):	Export development and competitiveness (25% - P); Micro; Small and Medium Enterprise support (25% - P); Rural markets (24% - P); Infrastructure services for private sector development (13% - S); Legal institutions for a market economy (13% - S)			

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2. Project Objectives and Components:

a. Objectives:

According to the Development Credit Agreement (page 21), the Project Development Objective (PDO) of the Second Private Sector Competitiveness Project (PSCP II) for Uganda is to support the Borrower's efforts for creation of sustainable conditions conducive to enterprise development and growth, encouraging investment, facilitating private sector development, increasing micro, small and medium enterprises, increasing competitiveness in local and export markets, and employment opportunities in its territory. The PDO reported in the Project Appraisal Document (PAD) is to create sustainable conditions for enterprise creation and growth that responds to local and export market (PAD, page 7). The PDO in the Development Credit Agreement is used as the basis for this evaluation.

b.Were the project objectives/key associated outcome targets revised during implementation?

No

c. Components:

PSCP-II consists of three components:

Component 1. Developing Infrastructure and financial Services (cost estimated at appraisal: US$30 million; actual cost: US$13 million): This component aimed at providing priority infrastructure and related facilities to support the growth of the industrial and business sectors. It supported the following sub-components: (a) provision of basic infrastructure services for the private sector; and (b) improved provision of financial services to micro, small and medium enterprises (MSMEs).

Component 2. Enhancing Enterprise Competitiveness (cost estimated at appraisal: US$14 million; actual cost: US$10 million): This component aimed to enhance enterprise competitiveness, particularly in MSMEs, by changing enterprise behavior toward investment in skills (especially for women), raising productivity, improving the quality standards, and reliability of MSMEs producers participating in export value chains. It supported the following

sub-components: (a) matching grants for productivity enhancement, financial management, and export growth; (b) enterprise skills and linages program; (c) "Start Your Business Competition"; (d) business brand linkages; and (e) better business behavior award scheme.

Component 3. Improving the Business Environment (cost estimated at appraisal: US$28 million; actual cost: US$30 million): This component aimed at modernizing the commercial legal environment, reducing the time and cost to register businesses, restore the integrity of the land registry, and improve the efficiency of trade-related services. It supported the following sub-components: (a) land registration sector; (b) business registration; (c) the Uganda National Bureau of Standards; (d) legal framework for business and financial services; and (e) public-private partnerships.

d. Comments on Project Cost, Financing, Borrower Contribution, and Dates:

Project Cost: Total project costs at closure amounted to US$53 million compared with $72 million estimated at appraisal. The difference was principally due to the cancelation of the Infrastructure Services Component 1.1 ($21.5 million) during the second restructuring on January 26, 2012 and lower spending on Component 2 ($4 million), which was offset in part by slightly higher spending ($2 million) for Component 3.

Financing: The PSCP II was financed by an IDA Credit in the amount of US$50.7 million relative to the US$70 million equivalent estimated at appraisal, with the difference principally being on account of the cancelation of the infrastructure services component. There was no other external financing, but the private sector provided an in-kind contribution of US$6 million relative to the US$13.5 million equivalent estimated at appraisal.

Borrower Contribution: The Government of Uganda provided in-kind financing in the amount of $2.8 million, slightly higher than the $2.5 million estimated at appraisal.

Dates: PSCP II closed on February 28, 2013, 31 months after the original closing date at appraisal. The project was restructured twice. The first restructuring (February 3, 2009) extended the closing date to January 30, 2012, reallocated funds within disbursement categories, expanded the scope of the financial services component, and increased the amount for operating costs. The second restructuring (January 26, 2012) extended the project closing date to February 28, 2013, reallocated credit proceeds among different disbursement categories, cancelled the infrastructure services component due to procurement, environmental, and management concerns in the construction of the Kampala Industrial Business Park (KIPB), and formalized changes in project indicators which had been adjusted at the time of the Mid-Term Review. Both restructurings were approved at the level of Bank management.

3. Relevance of Objectives & Design:

a. Relevance of Objectives:

The objectives of the project remain relevant to Uganda's development priorities as set out in the Country Assistance Strategy (CAS) for the Fiscal Years 2010-2015, which emphasizes improved conditions for private sector growth and increased productivity. The objectives are also relevant to the Bank's current African Region Strategy to enhance competitiveness and employment. They are consistent with the focus of the new Competitiveness and Enterprise Development project for Uganda, and complement the ongoing Poverty Reduction Support Credit whose focus is on non-income poverty and strengthening public institutions that provide services to the private sector. They are also relevant to the key challenges identified in the 2003 IFC Investment Climate Assessment, which underscored the importance of increasing productivity and addressing the high cost of financing, particularly for MSMEs.

The objectives are relevant to government strategy. The project was prepared in response to the government's request for continued Bank involvement following the implementation of the first Private Sector Competitiveness Project and sought to support the Government's poverty reduction and reform strategy. The objectives are consistent with the Government's revised Poverty Eradication Action Plan, which emphasized the need to transform the economy through private investment, industrialization, and exports, with a focus on MSMEs and small-holder agriculture. They are also pertinent to the government's Medium-term Competitiveness Strategy and Plan for the Modernization of Agriculture.

The relevance of objectives rating is High

b. Relevance of Design:

The project's design is consistent with its development objectives. There was a clear statement of objectives and the results framework provided a convincing causal chain between the project's funding and its outcomes. The activities

for each of the project's three components supported the achievement of the objectives by providing priority infrastructure, improving enterprise creation and growth, and strengthening the legal, regulatory and institutional structures for private enterprises, particularly MSMEs. It is therefore reasonable to deduce that these activities and the financial and human resources allocated to them would be sufficient to produce the outputs, intermediate outcomes, and final outcomes necessary to achieve the project's objectives. In addition, the project team identified key exogenous factors to the project's success that it assumed would be in place for the duration of the project, including the continuation of political and macroeconomic stability, government commitment to private sector development, and the acceleration of the ongoing privatization process and substantial improvements in public utilities. However, institutional capacity constraints at the Private Sector Foundation Uganda should have been taken into account and addressed at the design stage as they ultimately contributed to the substantial delays in project implementation.

The relevance of objectives rating is Substantial

4. Achievement of Objectives (Efficacy):

There were five specific objectives and one overarching objective.

Specific Objective 1: Encouraging investment:

The project was to encourage investment through the development of infrastructure and financial services. The cancelation of the industrial park sub-component undermined the achievement of this specific objective, as it was expected to create access for businesses to modern industrial facilities with reliable infrastructure. The project however, provided institutional building grants to financial institutions and established a Credit Reference Bureau, although according to the ICR (pg. 22) this did not necessarily lead to increased credit (16.9 percent at project closure versus the target of 22 percent) which may have been attributable to overall improvements in macroeconomic conditions and sector policies.

Of the two outcome indicators, one (i.e. number of individual investors in the stock market) was partially achieved (48,114 versus the target of 60,000), while the other (i.e., number of investments licensed) was considered not achieved (344) as no target had been indicated. Of the five intermediate indicators, two were achieved. Some 170 financial and nonfinancial matching grants were approved (target was 120) and 100 percent of all land titles were indexed and scanned. One intermediate indicator (i.e., mortgage lending as a percentage of the total portfolio) was partially achieved (15 percent at project closure versus the target of 20 percent). The two remaining intermediate indicators were not, however, achieved, as only five percent of government land was surveyed (versus the target of 100 percent) and only five firms were located in the industrial areas (versus the target of 25).

Efficacy in achieving Specific Objective 1 is rated Negligible.

Specific Objective 2: Facilitating private sector development:

The Business Uganda Development Scheme provided matching grants to over 800 small and medium sized enterprises, the Technology Acquisition Fund provided benefits to six enterprises, the Enterprise Skills Linkage Program provided benefits to over 63 enterprises, the Business Plan Competition provided training to some 500 entrepreneurs and seed money to 27 enterprises, and the Business Branded Linkages Program developed at least 8 new brands. The project also supported the review of 18 key business laws, although only 5 of these laws were operational by the end of the project. The start-up of the Uganda Registration Services Bureau, was only implemented during the final year of the project. The national land information service was modernized, and the school of surveying and land management was revived and rehabilitated.

Of the five outcome indicators, three were achieved. The number of days to access land records was reduced from 435 to instantaneous, the number of days to register a business was reduced from 135 to 2, and some 22,869 enterprises registered a new business (versus the target of 15,000). Regarding the remaining two indicators, although some 2,996 skilled persons were employed in supported projects, no target had been set; and, although a target of 1,630 had been set for total output per worker, no end-project result was provided.

Efficacy in achieving Specific Objective 2 is rated Modest.

Specific Objective 3: Increasing micro, small and medium enterprises:

The project financed Institutional Building Grants to Financial Institutions, the Business Uganda Development

Scheme (which provided matching grants to over 800 MSMEs), the Technology Acquisition Fund (which provided benefits to six MSMEs), Enterprises Skills Linkage Program, Business Plan Competition, and Uganda Registration Service Bureau.

It is difficult to assess the outcome of this objective since there were no outcome indicators. The intermediate indicator on Bank support for institutional development was achieved (US$3,692,100 at project closure versus the target of US$3,500,000). MSMEs may have benefited from the other business programs supported by the project, but their direct impact on MSMEs was not measured.

Efficacy in achieving Specific Objective 3 is rated Modest.

Specific Objective 4: Increasing competitiveness in local and export markets :

A strategic plan was developed, the aim of which was to encourage Ugandan firms and farmers to invest in systems and product certification that would be acceptable to export markets. However, as indicated in the ICR (pg. 24), the related training and certification processes envisaged under the project were not achieved, thereby limiting the impact of the strategic plan.

The impact of this activity was limited on account of delays in its launch and related training and certification activities. Of the three intermediate indicators, two were achieved. Some 236 firms covering 596 products obtained certification of local products (against the target of 100 firms and 350 products) and a total of 10 Ugandan brands were created (against the target of 3 brands). The target for the third indicator on the volume of sales revenues ($60 million) was considered not achieved due to the lack of an end-project result. The two outcome indicators were achieved or partially achieved: the ICR (pg. 24) states that the average annual growth rate of exports was 20 percent (2005-12), while non-coffee exports increased relative to traditional coffee exports over the project period. However, it is difficult to determine the degree of attribution of these outcomes to the project, since other factors, such as economic growth, and sector policies, contributed to the achieved result.

Efficacy in achieving Specific Objective 4 is Modest.

Specific Objective 5: Increasing employment opportunities :

There were no specific outputs for this objective. Rather the intended increase in employment opportunities was expected to result from the activities cited under specific objectives 1-4.

There was only one outcome indicator (i.e., 10,000 new jobs created in formal sector by project closure) and no intermediate indicators to measure progress towards this outcome. Even in the case of the single outcome indicator, there was no evidence at closure concerning achievement or otherwise of the target. However, the ICR (pg. 21) notes that, in a sample of 10 percent of the recipients of matching grants under the Business Uganda Development Scheme, 1,300 jobs had been completed. However, the implication drawn of the creation of 13,000 overall is speculative and relies on generous assumptions. In addition, the Technology Acquisition Fund, the Business Plan Competition, and Business Bank Linkages Program created 60, 300, and 600 jobs, respectively, according to the ICR (pg. 22).

Efficacy in Achieving Specific Objective 5 is rated Modest.

PDO Overarching Objective: Creating sustainable conditions conducive to enterprise development and growth :

This was to be achieved through the implementation of measures aimed at developing the country's infrastructure and financial services, enhancing enterprise competitiveness, and improving the business environment. Together, this was to result in an increase in the number of formal enterprises, the number of people employed, and the number of skilled employees leading to an increase in output per worker. The results framework provided a plausible causal link between the project's outputs and these expected outcomes. However, the cancelation of the industrial park sub-component (one-third of total project financing) undermined the achievement of the PDO. Moreover, the poor specification of many of the projects indicators (see section 10) makes it difficult to assess the achievement of the PDO. Of the 13 PDO indicators, only four were achieved (i.e., number of days to access and records and time taken to register a business), or partially achieved (i.e., number of individual investors in the stock market and number of enterprises registering new formal businesses), six were considered not achieved due to the lack of targets or end-project results (i.e., direct project beneficiaries, female beneficiaries, investment licensed, number of skilled employees, total output per worker, and new jobs created in the formal sector), and three were considered not achieved due to problems of attribution (i.e., exports of traditional commodities, credit extended to private sector, and exports of nontraditional commodities). As noted in the ICR (pg. 20-21), although competitiveness did improve as measured by the *Doing Business* indicator "distance to frontier" (which measures a country's performance relative to

that of the best performing economies), the country's ranking in the Global Competitiveness Index declined over the project period (but due primarily to the relative improvement in the performance of other African countries). In sum, efficacy in achieving the PDO overarching objective is modest due to the cancellation of the industrial park sub-component and difficulties in assessing outcomes due to problems with the results indicators.

Efficacy in Achieving the PDO Overarching Objective is Modest.

5. Efficiency:

The PAD estimated the project's net present value at US$133.4 million corresponding to an internal rate of return of 43 percent for the overall project, and made valuation estimates for several of the project's major sub-components. As noted in the ICR (page 25, para. 89 and Annex 3), however, the approach used at the design stage involved various methodological issues and an incomplete sensitivity analysis, as well as problems of attribution. The ICR did not estimate an NPV for the project as a whole. It did, however, conduct an ex-post valuation of the activities for Component 2 (representing just under 20% of total actual project cost). The methodology used to calculate the returns was fundamentally different from that in the PAD, with the ICR estimating valuation based on average revenue and profit growth figures rather than the PAD's approach of using an arbitrary multiplier assigning a total output benefit to companies. The ICR also used much larger actual revenue growth figures for the beneficiary businesses and lower expenditures than the PAD. Relative to the PAD, the ICR analysis indicated that the actual Economic Rate of Return for the matching grant activities (sub-components 2.1 and 2.2) was lower (20 percent versus 38 percent) and the branding support activities (sub-component 2.3) was higher (129 percent versus 35 percent), and concluded that there was good value for money these components.

There were three main operational and administrative inefficiencies: the cancelation of sub-component 1.1; the inability to leverage development partner resources due to the various delays experienced in project implementation; and delays of 31 months beyond the original schedule.

Efficiency is rated **Modest**.

a. If available, enter the Economic Rate of Return (ERR)/Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point Value	Coverage/Scope*
Appraisal	Yes	43%	100%
ICR estimate	No		

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome:

The overall outcome rating for the PSCP II is **moderately unsatisfactory**. This rating takes into account the high relevance of objectives, the substantial relevance of design, the modest efficacy rating for the overall objective and four of the five specific objectives along with a negligible rating for the remaining objective, and modest efficiency. Although the project's objectives were in line with those of both the government's and Banks current strategies, the implementation of the activities proved to be problematic, which undermined the achievement of the project's objectives. Evidence of efficacy was also undermined by the poor specification of many outcome and intermediate indicators, which lacked targets and end-project results and suffered from problems of attribution. Project efficiency was impaired by the cancelation of the industrial park sub-component, implementation delays, and inability to leverage development partner resources as expected.

a. Outcome Rating: Moderately Unsatisfactory

7. Rationale for Risk to Development Outcome Rating:

The key risks to development outcomes include the following. First, there is the risk that the improvements in the business environment will not be maintained, as only five of the 18 new laws supported by the project were operational at project closing. However, this should be mitigated by the fact that the related implementing regulations for the remaining 13 laws are expected to be in place soon after project closing and, hence, this is becomes a "timing" issue. Second, there is the risk that the industrial park will not be completed and the existing infrastructure financed under the project will degrade. However, despite the cancelation of Bank financing, the Government is confident that it can secure alternative financing to complete the industrial park. Third, there is a risk that attitudes of the key public service agencies have not changed from "regulator" to "facilitator", as originally intended under the project through the strengthening of the underlying legal, regulatory, and institutional structures. However, there have

already been improvements in service standards for land and business registration, as well as for the new land management system. Moreover, the activities being supported under the new Competitiveness and Enterprise Development Project to scale up land reforms, increase land tenure security, and reduce the time taken to transfer land should also help mitigate these risks.

a. Risk to Development Outcome Rating : Moderate

8. Assessment of Bank Performance:

a. Quality at entry:

The project builds on the implementation of PSCP I, including carrying forward the enterprise creation matching grant scheme and the use of the PSFU as the lead implementing agency. In designing the project, the Bank team drew upon the World Bank Group's extensive analytical work, including the 2003 Africa Trade Standards Report, the Bank study on Standards and Global Trade, and various Foreign Investment Advisory Services (FIAS) reports, including the 2003 study on Administrative Barriers to Investment, the report on Competitiveness, the 2004 Investment Climate Assessment, and the IDA/IFC MSME Program for Africa. The project team also drew on the Bank-wide operational experience in this type of operation. Recognizing that the key institutional constraints affecting enterprises are cross-sectoral in nature, the choice of a Specific Investment Loan was appropriate as the instrument provides financing for activities identified by the private sector to achieve an increase in competitiveness, including technical assistance, training, and physical investment. This is preferable to a program or a sub-sector approach, given that the government had yet to articulate its medium-term competitiveness strategy, the unpredictability of exports markets, and the absence of trade agreements.

The first and principal deficiency at entry was the project's weak M&E framework, which included indicators that could not be directly attributed to the project's activities, focused on processes rather than outcomes, and lacked baseline and target data, which ultimately impeded project supervision and monitoring. Second, project design was overly complex and included too many activities relative to the institutional capacity in place, thereby contributing to delays in implementation. Third, Bank Management's preference for the consolidation of activities into a larger project with a view to reducing project administration costs, resulted in an overly complex project at entry covering three broad areas, each of which could have been a separate project. Fourth, although the project team consulted with key implementing agencies during the design stage, ownership was never assured as these agencies were restricted to basic implementation and played only a limited role in procurement and selection of consultants. Fifth, there were inevitable tensions in having a "private sector" organization (i.e., the PSFU) manage the "public sector" agencies involved in project implementation which should have been considered and addressed at the design stage. Sixth, the project team did not fully take into account the weak governance structures in the implementing agencies, nor put in place adequate mitigating measures.

Quality-at-Entry Rating : Moderately Unsatisfactory

b. Quality of supervision:

There were major shortcomings in the quality of supervision. The staff inconsistently reported the key final and intermediate outcome indicators in the Implementation Status and Results Reports (ISRs) and missed the opportunity to address the deficiencies in the indicators and M&E Framework that were noted at the time of the mid-term review during the first restructuring. While the project indicators were formally changed at the time of the second restructuring, this occurred very late in the process. As noted in the Quality Assessment of Lending Portfolio Review, the ISRs also lacked candor as key issues, such as the change in the site of the industrial park office construction, were not flagged. Project outcomes could have therefore been better if staff had restructured the project when problems arose. For example, the problems experienced with the industrial park sub-component (which ultimately had to be cancelled) could have been addressed during the first restructuring (following the Mid-Term Review). There were also missed opportunities for the Bank team to have conducted on-site inspections which could have uncovered these problems earlier in project implementation. Similarly, Bank staff should have engaged earlier with regard to the problems of land pricing and procurement of civil works. These problems in implementation could have assessed and addressed in a more timely manner had the operational audits envisaged in the Project Implementation Manual (PAD, pg. 13) been conducted once every two years rather than only once of the eight-year period. Finally, the project could have possibly averted the environmental problems that contributed to the cancelation of sub-component 1. As noted in the ICR (pgs. 15-16), "…it is certain that the project would have been subject to greater scrutiny regarding environmental matters if it had been rated a Category A (not to mention additional supervision budget). The two project restructurings provided opportunities to re-classify the project to a Category A. The Environmental team acknowledged that it was a "tough call" and ultimately it was a judgment call to maintain it as a Category B."

Quality of Supervision Rating : Unsatisfactory

Overall Bank Performance Rating : Unsatisfactory

9. Assessment of Borrower Performance:

a. Government Performance:

The government demonstrated a strong commitment at the project inception and throughout project implementation, including through its willingness to consult with the private sector and its provision of counterpart funding. However, project implementation was negatively affected by delays in Parliamentary approval of the project, the excessive time required to review and implement the new laws affecting the business environment, the failure of the Project Steering Committee to perform its oversight responsibilities (i.e., it met only twice over the period 2003-2011 despite being required to meet twice yearly), and changes in the government's land pricing policy which undermined the financial viability of the industrial park. Efforts to address these concerns came only very late in project implementation and, hence, were not able to reverse the impact of these deficiencies prior to project closing.

Government Performance Rating Unsatisfactory

b. Implementing Agency Performance:

Although the PSFU had overall responsibility for project coordination, implementation of individual components was left to the specific agencies that were to be beneficiaries of the project activities However, a weak governance structure and lack of readiness by the PSFU and the other implementing agencies impeded project implementation. Specifically, weak management and oversight by the PSFU allowed improper behavior to go unchecked by the procurement specialists, resulting in fraud and corruption in the bidding process, and triggering an investigation by the Bank's Integrity Vice Presidency, which confirmed such practices. The PSFU was also lax in overseeing the construction of the Uganda Investment Agency /industrial park office block. Several of the other implementing agencies (i.e., the Ugandan National Bureau of Standards, the Uganda Registration Services Bureau, the Uganda Law Reform Commission, and the Ministry of Justice) also faced institutional capacity constraints and, according to the ICR, performed unsatisfactorily until late in project implementation. Although the PSFU and the other implementing agencies undertook remedial measures, these came too late in the process to have a tangible impact on project performance and outcome. These agencies also lacked a coherent M&E framework, which impeded their ability to manage M&E for their respective activities (see Section 10 below).

Implementing Agency Performance Rating : Unsatisfactory

Overall Borrower Performance Rating : Unsatisfactory

10. M&E Design, Implementation, & Utilization:

a. M&E Design:

The PSFU and Medium Term Competitiveness Strategy Secretariat was responsible for collecting data, preparing monthly monitoring tables, and issuing quarterly progress reports regarding project implementation. They prepared a Project Implementation Manual (PIM) which specified the arrangements for periodic reporting, monitoring and evaluation. This information was to feed into biannual meetings of the Project Steering Committee, which was to take decisions and make corrections during project implementation. According to the PIM, each implementing agency was given responsibility for developing and overseeing its own monitoring framework, and adequate coordination arrangements did not appear to have been made, M&E design called for a Mid-term Review, including a formal survey to assess project impact that was to allow mid-course corrections based on experience in implementation. PSCP II included 4 PDO outcome indicators and 14 intermediate outcome indicators at appraisal. However, the project's M&E design suffered from various weaknesses that made it difficult to monitor progress towards the project objectives, including incorrect tracking methodology (i.e., "10,000 new jobs created in the formal sector"), lack of baselines and targets (i.e., "Direct project beneficiaries"), measurement of "processes" rather than "outcomes" (i.e., "Number of financial and nonfinancial matching grants approved"), and problems of attribution (i.e., "Increase in exports of traditional and nontraditional commodities").

b. M&E Implementation:

There were problems in M&E Implementation arising from the fact that each implementing agency was to be responsible for developing and overseeing its own monitoring framework and no coherent framework emerged until the Mid Term Review in November 2008. The Review also served as the occasion to attempt to address the deficiencies in the project's weak M&E framework. However, while the Mid-Term Review attempted to address some of the problems arising from design weaknesses, it resulted in a doubling of the indicators (from 18 to 36). Moreover, these changes were not formalized for another three years in the context of the second restructuring, at which time all the project components were closed with the exception of the land development sub-component. In addition, there was poor monitoring and inconsistent reporting of indicators in the ISRs, along with a lack of candidness and explanation for the changes in the M&E framework undertaken by Bank staff. Only one operational audit was conducted over the entire eight-year period (versus biannually as envisaged in the Project Implementation Manual) and the project's M&E specialist was only recruited late in the process (2009).

c. M&E Utilization:

There is no information in the ICR regarding whether the M&E findings were systematically communicated to the various stakeholders. However, information from project monitoring fed into the Mid Term Review and the subsequent two project restructurings, which resulted in the reallocation of project funds within and between disbursement categories, an increase in the amount allocated for operating costs, and an extension in the project closing date in light of the delays in implementation. As indicated in the ICR (pgs. 17-18), the new Competitiveness and Enterprise Development Project approved by the Bank Board in April 2013 benefited from the experience and lessons learned under PSCP II regarding various deficiencies in its M&E. Unlike in PSCP II, the Ministry of Lands will now have direct responsibility for M&E related activities and the institutional capacity of the Private Sector Foundation Uganda and the Ministry of Lands is being strengthened. The Government's oversight function will also be significantly strengthened through the creation of a project technical team consisting of accounting officers from the beneficiary agencies and through a more active, engaged, and accountable Project Steering Committee.

M&E Quality Rating : Negligible

11. Other Issues

a. Safeguards:

The project was classified as Category "B" for Environmental Assessment purposes. Only the Environmental Assessment safeguard (OP 4.01) was triggered. According to the PAD (pg. 18), feasibility studies were undertaken during project design to ensure compliance with IDA safeguards, provide environmentally sound construction standards, and establish environmentally and socially sound policies for the industrial park. According to the Environmental and Social Assessment undertaken, the original site selected would not disturb critical national habitat or primary forests. However, the implementing agency in charge of environmental and social safeguard issues for the industrial park (Uganda Investment Agency) had very limited capacity, which resulted in significant delays and problems. As noted in the ICR (page 15, para 57), the investment agency/industrial park office block had been relocated without consultation with the Bank, thereby occupying a location designated as green space in a wetlands area and involving significant landfill inconsistent with the industrial park's Master Plan and procedures for land allocation. Although there was some progress in addressing the outstanding environmental and safeguards issues, given the delays and expected time frame involved, the sub-component was cancelled at the government's request in November 2011.

b. Fiduciary Compliance:

As noted in the ICR, serious procurement and contract management problems arose during project implementation. The Bank's Integrity Vice Presidency found evidence that several firms had engaged in fraudulent practices while bidding for several land-related contracts under sub-component 3.1. Appropriate actions were taken, including the debarment of eight firms and six individuals, the non-renewal of the PSFU procurement specialist's contract, and the relieving of the project manager from her duties. A case of potential mis-procurement is under review for the possible incorrect awarding of a contract involving the survey of Government land, and a reimbursement of IDA funds by the Government is pending. There is no discussion in the ICR of financial management or of internal or external auditing. The ICR nevertheless reports that fiduciary-related lessons from PSCP II have been incorporated into the Bank's new Competitiveness and Enterprise Development Project.

c. Unintended Impacts (positive or negative):

There were no unintended impacts, positive or negative. The ICR suggested that unintended impacts included: (a) a reduction in corruption arising from improved land registration; (b) a doubling of women's wages in male-dominated sectors relative to traditional industries. But neither of these are truly unanticipated or attributable to the project.

d. Other:

N/A

12. Ratings:	ICR	IEG Review	Reason for Disagreement/Comments
Outcome:	Moderately Unsatisfactory	Moderately Unsatisfactory	
Risk to Development Outcome:	Moderate	Moderate	
Bank Performance:	Unsatisfactory	Unsatisfactory	
Borrower Performance:	Unsatisfactory	Unsatisfactory	
Quality of ICR:		Satisfactory	

NOTES:
- When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
- The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

13. Lessons:

There are four main lessons learned from the preparation and implementation of the project, which were also highlighted in the ICR:

1. Putting in place an appropriate and comprehensive M&E framework at the project design stage is essential for successful monitoring and implementation. The project's M&E framework was weak, with poorly defined and measured PDO and intermediate outcome indicators. Although these problems were identified during the Mid-term Review, the framework was not formally revised until after all but one of the project's sub-components had closed. As a result, these changes came too late in implementation to have any impact on project redesign.

2. The desire to realize efficiencies and comprehensiveness with a larger project should not override the risks inherent in a complex project design. The desire to consolidate activities into larger projects in order to achieve administrative efficiencies should be weighed against the danger of an overly ambitious and/or complex project design, especially in cases where governments and their implementing agencies have limited capacity.

3. Buy-in from implementing agencies is critical for successful project performance. Although the PSCP II consulted with key implementing agencies during the design stage, ownership was never assured as these agencies played only a limited role in procurement and selection of consultants. As a result, they never really owned the design nor felt responsible for the activities' outputs.

4. Fiduciary problems require timely interventions on the part of the Bank. When fiduciary problems arose regarding allegations of fraud and corruption related to the procurement of several land-related contracts, Bank management and the Integrity Vice Presidency were consulted promptly. This allowed sufficient time for the Integrity Vice Presidency to carry out its investigation of the allegations and for the authorities to undertake appropriate remedial measures.

14. Assessment Recommended? ○ Yes ● No

15. Comments on Quality of ICR:

The ICR was comprehensive and its tone candid. It correctly used the outcome indicators specified in the Credit Agreement, despite the fact that the supervision reports assessed performance based on the PAD. In doing so, it appropriately emphasized the shortcomings in the results framework, particularly regarding problems of attributing outcomes (as measured by outcome indicators) to project activities. However, the ICR could have usefully organized its assessment of project performance by assessing the project's overarching objective and five specific objectives vis-à-vis the various outcome and intermediate indicators. The ICR also provided a frank critique of the shortfalls in Bank supervision and the lack of transparency and consistency in the ISRs. In doing so, it could have emphasized the importance of ensuring that changes in project activities and the M&E framework are done early on during project implementation rather than after most project components have been closed. In this regard, it could have discussed in greater detail the Mid-term Review's findings and recommendations that led to the subsequent two restructurings. The ICR could also have usefully clarified and/or taken a stand regarding why the Review's key recommendations were not included in the first restructuring and had to await the second restructuring, as well as its likely effect on project outcomes. Discussion of fiduciary compliance was inadequate, as it was limited strictly to procurement.

a.Quality of ICR Rating : Satisfactory