Report Number : ICRR13493

IEG ICR Review
Independent Evaluation Group

1. Project Data:		Date Posted :	01/12/2011	
PROJ ID :	P101231		Appraisal	Actual
Project Name :	(PRSC7) Seventh Poverty Reduction Support Credit (prsc7)	Project Costs (US$M):	200	200
Country:	Uganda	Loan/Credit (US$M):	200	200
Sector Board :	PS	Cofinancing (US$M):		
Sector(s):	Central government administration (64%) General industry and trade sector (9%) Health (9%) General agriculture fishing and forestry sector (9%) General education sector (9%)			
Theme(s):	Administrative and civil service reform (29% - P) Public expenditure financial management and procurement (29% - P) Education for all (14% - S) Rural policies and institutions (14% - S) Regulation and competition policy (14% - S)			
L/C Number:	C4431			
		Board Approval Date :		05/06/2009
Partners involved :	United Kingdom (DFID), African Development Bank, Germany, Ireland, the Netherlands, Norway and Sweden	Closing Date :	11/30/2009	11/30/2009

Evaluator :	Panel Reviewer :	Group Manager :	Group :
J. W. Van Holst Pellekaan	Kris Hallberg	Ali Khadr	IEGCC

2. Project Objectives and Components:

a. Objectives:

This ICR Review assesses the performance of a series of development policy operations, comprising the following :

Uganda: Poverty Reduction Support Credit 5 (P090881)
Uganda: Poverty Reduction Support Credit 6 (P090219)
Uganda: Poverty Reduction Support Credit 7 (P101231)

Neither the Program Documents (PDs) nor the Development Financing Agreements provided a clear statement of the overarching development objectives of Poverty Reduction Support Credits (PRSCs) numbers 5, 6 and 7 to Uganda. The closest to a statement of an overall objective is that "PRSC 7 is the third operation in a planned series of three PRSCs to support implementation of Uganda's third Poverty Eradication Action Plan (PEAP)" (PD, paragraph 41). Similar statements are found in the PDs for PRSCs 5 and 6.

The ICR stated that the original PDO for the PRSC 5-7 was "The proposed grant/credit is a core operation to finance the implementation of selected strategic objectives of Uganda's Poverty Eradication Action Plan /Poverty Reduction Strategy Paper (PEAP/PRSP). The PRSC has been a core element of the Bank's support for Uganda, supporting four pillars of the PEAP: Economic Management (Pillar 1); Enhanced Production, Competitiveness and Incomes (Pillar 2); Good Governance (Pillar 4); and Human Development (Pillar 5)" (ICR, page 3).

The source of this statement could not be found. Nevertheless, it was clear from the PDs that the PRSC series was intended to support selected strategic objectives in four of the five PEAP pillars. Therefore, for the purpose of this Review the objective of the PRSC series is interpreted to be: To achieve selected strategic objectives under Pillars 1, 2, 4 and 5 of the PEAP.

The pillars and strategic objectives for PRSCs 5, 6 and 7 are listed below (see paras 54 to 136 in the PD for PRSC 7 and comparable paragraphs in the PDs for the other two PRSCs). Most of the strategic objectives were the same throughout the PRSC series with four exceptions noted in parenthesis under Pillars 2 and 4.

PEAP Pillar 1 - Economic Management : Strategic objective supported by the PRSCs was to:

(i) Maintain Macroeconomic Stability Consistent with Rapid Private Sector Led Growth - stimulated by increased access of the private sector to financial services.

PEAP Pillar 2 - Enhance Production, Competitiveness and Incomes : Strategic objectives supported by the PRSCs were:

(i) Promote an Efficient and Competitive Private Sector;
(ii) Increased and More Efficient Agricultural Production;
(iii) Strengthened Environment and Natural Resource Management *(only supported under PRSC 5);*
(iv) Strengthened financial sector *(only supported under PRSC 5).*

PEAP Pillar 4 - Good Governance : Strategic objectives supported by the PRSCs were:

(i) Strengthened Legal and Justice Systems - including increased efficiency in commercial justice *(only supported under PRSC 5 under this pillar but supported as part of the first strategic objective under Pillar 2 in PRSCs 6 and 7)*
(ii) Strengthened Public Sector Management and Accountability *(changed to "Public financial management strengthened" in PRSCs 6 and 7)* - included strengthened public financial management (PFM) and procurement, reduced corruption, improved public sector performance, and strengthened local government (LG) systems for better service delivery.

PEAP Pillar 5 - Human Development : Strategic objectives supported by the PRSCs were:

(i) A better educated society, including increased access to and quality of primary, secondary and tertiary education;
(ii) Healthier Ugandans - including improved utilization and quality of health care, improved access to maternity services, improved family planning, and improved children
access to immunization care; and
(iii) Improved Water and Sanitation Services - including improved access to safe water supply and sanitation and improved water facilities maintenance.

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

Yes

If yes, did the Board approve the revised objectives /key associated outcome targets?
Yes
Date of Board Approval: 04/23/2007

c. Components (or Key Conditions in the case of DPLs, as appropriate):

PRSC 7 was designed as a two year operation with a similar set of prior conditions established as for PRSCs 5 and 6. PRSC 7 also had 3 second tranche conditions. These conditions, as recorded in the PD for PRSC 7 were as follows:

Prior Conditions

PEAP Pillar 1: Economic Management

1. The Government has agreed with donors on the MTEF for 2007/08 to 2009/10, and has executed the FY2006/07 budget consistent with the budget allocation as appropriated and adjusted with the approval of Parliament.

PEAP Pillar 2: Enhancing Production, competitiveness, and incomes

2. Prioritization and agreement on key undertakings in investment climate, and competitiveness, inter -alia, the Companies Bill and the Insolvency Bill approved by Cabinet and presented to Parliament; and the Policy Paper on Pension Reform approved by Cabinet. Satisfactory implementation of these by December 2007.

3. Satisfactory implementation of undertakings drawn from the recommendations of the Public Financial Management Performance Report issued in July 2006.

PEAP Pillar 4: Good Governance

4. Satisfactory implementation and monitoring of the central and local government procurement regulations and systems.

5. Satisfactory implementation of undertakings agreed by the joint Government -Development Partners review of the National Anti-Corruption Action Plan for 2004/07.

6. Satisfactory progress in the implementation of the new phase of Public Service Reform Program (PSRP) as evidenced by accomplishment of the undertakings agreed to in the Joint Government and Development Partners Review process.

7. Satisfactory progress on core undertakings agreed by JARD 2006 reviewed by November 2007 during JARD 2007, including follow-up and full implementation of the partially completed prior actions under PRSC 6.

PEAP Pillar 5: Human Development

8. Satisfactory implementation of the undertakings agreed to in the education sector review in November 2006 and
confirmed by the October 2007 review.

9. Satisfactory implementation of the undertakings agreed to in the health sector review in November 2006 and confirmed by the 2007 review.

10. Satisfactory implementation of undertakings agreed to in water and sanitation sector review in September 2006 and confirmed by the 2007 review.

Second Tranche Conditions

1. Maintain stable macroeconomic conditions

2. Approval of the FY2008/09 budget consistent with the PEAP and its medium-term growth objectives

3. Submit to Cabinet draft proposed amendments to the Public Procurement and Disposal Act (PPDA) and Regulations.

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

Financing from PRSC 5 was reduced by 10 percent (from $150 to $135 million) because the first prior action on budget execution was only partially met (ICR, page 5). Financing from PRSC 6 was reduced from $150 to $125 million also because prior conditions on the budget were not met. In addition, three other conditions were partially met. PRSC 7 was also originally designed as a one year, $ 150 million operation, but in line with the Letter of Development Policy, it was presented to the Board for approval as a $ 200 million credit in two tranches of $100 million each on the basis that budget support in two tranches would be more predictable for the budget as well as being more harmonized with financial support from other donors. But a delay in its approval by Parliament, and hence a delay in effectiveness, put back the timing of the first tranche. Partial performance on some prior conditions delayed release of the second tranche when conditions were eventually met. Because of the delays in tranche disbursements they no longer coincided with the FY 07/08 and FY08/09 budgets as planned.

The development partners listed in section 1 aligned their assistance strategies with the Bank but did not co-finance the PRSC series although they did provide the Government with parallel financial support.

3. Relevance of Objectives & Design:

Relevance of Objectives : The PRSCs have been the Bank's principal tool for supporting Uganda's economic transformation and its poverty reduction efforts (ICR, page 2) since 2001. PRSCs 5, 6 and 7 were based on the earlier PRSCs which were all aligned with a series of PEAPs which started in 1997. The PRSC series considered in this Review was designed in parallel with the preparation of the Uganda Joint Assistance Strategy (UJAS) developed jointly with seven donors (December 14, 2005) which in turn was largely based on the latest PEAP. This PRSC series responded to the Government of Uganda's request that the Bank that, together with its development partners mentioned in section 1 of this Review, ensure a close linkage between the objectives of the PEAP and their assistance programs. This PRSC series objectives remained relevant to the Bank's country assistance strategy based on the UJAS. The latest CAS (April 2010) supports the GoU's National Development Plan which is the sequel to, and consistent with, the PEAP. This Review rates the relevance of the objectives of PRSCs 5 to 7 as *substantial.*

Relevance of Design : The designs for PRSCs 5, 6 and 7 were modeled on previous PRSCs which continued to use the PEAP as the basis for their objectives. Their design was also aligned with the UJAS which was the contemporary vehicle for harmonization among the seven development partners. A continuing, but troubling, design feature of the series was the complex policy framework, tranche conditions, and M&E arrangements. First, PRSC 5 used the 33 page "PEAP Policy and Results Matrix" which actually did not include any results chains, as well as a 16 page "PEAP Monitoring Matrix" showing baselines and targets for which data were often not available. Subsequently the Bank simplified and improved the documentation for PRSC 6 and 7 by preparing separate policy and results matrices. During this process two strategic objectives under Pillar 2 were not pursued after PRSC 5 and two other objectives were adjusted. These changes were (implicitly) approved by the Board as they became part of the PRSC 6 package approved on April 26, 2007 (see section 2 b above). In addition, although the "policy and results matrix" was combined with the "monitoring matrix", the matrices for PRSC 6 and 7 were still without any semblance of a results chain. Second, for all PRSCs disbursement triggers were a wide ranging list of 10 to 11 first tranche conditions (and 3 second tranche conditions for PRSC 7) which in turn invoked many additional actions drawn from commitments in the Letters of Development Policy. Difficulties arose in having them met. A third complexity was the M&E system which is discussed in detail in section 10. This Review concluded that the design of PRSCs 5, 6 and 7, although in line with the principles of harmonization with Government priorities and development partner programs, had an unnecessarily complex set of objectives, inadequate policy/results matrices which did not provide a forward looking and integrated framework for policy reform, and had a weak and labor intensive M&E system. In addition to its complexity, Bank management agreed with IEG's "Uganda: Country Assistance Evaluation" (April, 2009) in questioning whether the considerable budget support through the PRSC series had crowded out potential Bank -financed sectoral investment programs in Uganda. On balance this Review rates the relevance of the design of this program series as *modest*.

4. Achievement of Objectives (Efficacy):

Most prior conditions were met but (as mentioned in section 2d above) if they were not met or partially met the Bank's disbursements were reduced to reflect the shortfalls in meeting the conditions. Most conditions not met were in the fiscal management area.

The ICR notes that "While the prior actions presented at the Board for PRSC 5 were largely unchanged from those agreed to by the Government and the development partners, the triggers for PRSC 6 and 7, by contrast, became tighter and more specific when they turned into prior actions ."

This section will assess the efficacy of the three PRSCs as one programmatic series taking account of the changes made in the strategic objectives noted in section 2a above.

PEAP Pillar 1 - Economic Management

(i) Maintain macroeconomic stability consistent with rapid private sector led growth - stimulate growth by increased access of the private sector to financial services . The ICR asserts that "macroeconomic performance remained strong under PRSC 5-7 particularly in light of the effects of a severe drought in 2005 and the global economic crisis". It goes on to state that in 2008/09 "Inflation spiked to 14.2 percent ...... as a result of the international surge in food and fuel prices" (page 13). The drought passed some years ago and had no impact on the outcome of the PRSCs reviewed here. With respect to the international food price increases, Uganda is still to a large extent a subsistence economy and, although traders increased domestic prices to export parity, its not clear why nation-wide (where tradable food commodities such as wheat is a small part of total food consumption), the impact on inflation would have been large. Compared with 2005/06 the estimates for 2008/09 in the ICR (Table 3) show that annual growth of GDP declined by 10.8 to 7.1 percent and per capita GDP growth dropped from 7.5 to 3.8 percent - still a creditable result. In addition inflation increased from 6.6 to 14.2 percent. The fiscal deficit excluding grants (not shown in Table 3) declined from the baseline of 11.3 percent to 8.9 percent compared with a target of 8.2 percent (ICR, Table 8), and debt to GDP declined (probably due to the HIPIC and Multilateral Debt Initiative). The ICR makes no mention of any changes in "access of the private sector to financial services" which was part of the strategic objective but actions on the Credit Reference Bureaux are mentioned under Pillar 2. The precise impact of macroeconomic performance on poverty is impossible to assess since so many other factors influence poverty levels . Nevertheless, results from the household survey in 2009 showed that for Uganda average per capita expenditure increased by 2.9 percent between 2005/06 and 2009/10 compared with 3.6 percent for the preceding 4 years. The incidence of poverty in Uganda over the same period declined from 31 to 23.3 percent. Rural poverty declined from 34 to 26 percent and urban poverty went from 14 to 9 percent. These were good results. This Review rated the efficacy of this strategic objective as *substantial.*

PEAP Pillar 2 - Enhance Production, Competitiveness and Incomes

(i) Efficient and competitive private sector - increase the role of the private sector in the economy . The Credit Reference Bureau was established and the Mortgage Act was passed in 2009. The Bureau will facilitate access to credit and the Act will improve the functioning of the real estate market . Credit to the private sector as a share of GDP increased from 8.8 percent in 2006/07 to 11.8 percent in 2008/09. Over the same period private sector investment as a share of GDP increased from 17 percent to 19 percent which was the target in the policy matrix (ICR, page 14). On the other hand there is no information in the ICR on whether costs of doing business have been reduced in Uganda (Policy Matrix, PD for PRSC 7, page 83). The investment climate and costs might have improved further if the Companies Bill and the Insolvency Bill agreed between the Bank and the Government had been passed by Parliament (PD for PRSC 7, paragraph 55). Although drafting of the legislation was completed in early 2008 it has still not been considered by Parliament. This important legislation was obviously stalled in Uganda's political process. The ICR states that it is expected to be passed in 2010 which is an extraordinary delay. On balance the efficacy of this objective was rated as *modest.*

(ii) Increased and more efficient agricultural production, including increased marketing and increased access to land titling . The springboard for this sector program was the Government's 2001 Plan for the Modernization of Agriculture (PMA). Key Government agencies and development partners agreed to focus on six high priority objectives during PRSC 6 (increase agricultural exports as a percentage of GDP, increased marketing of agricultural production, higher value of fish exports, increased percent of farmers with access to new technology, and implementation of National Agricultural Research Organization (NARO) and four objectives in PRSC 7 (improved resource use and allocation, additional water for agricultural production, establishment of a marketing information system, progress on land reform). For the PRSC series as a whole there was good progress on these objectives but for some of them there were no PEAP targets even though measurable targets could have been established. Nearly all the PRSC 6 objectives showed progress over the baseline and for those without targets improvement was nevertheless substantial. Where targets existed, some were unreasonably high such as for fish exports which in the event nearly tripled but did not reach an even higher target . (ICR, Table 8). With respect to PRSC 7 the ICR (page 15) reports on substantial contributions of both the NAROs and the National Agricultural Advisory Service (NAADS) in terms of better agricultural technology and the wealth of farmers . The Ministry of Agriculture's Development Strategy and Investment Plan (aimed at improving resource allocation, water resources for agriculture and market information systems) moved ahead with support from development partners and a Bank-financed agricultural public expenditure review (ICR, page 15). On the other hand, land reform objectives were not achieved as they became hostage to political tensions and inaction in Parliament (PD, paragraph 68). On balance this Review rated the efficacy of this objective as *substantial.*

(iii) Strengthened environmental and natural resource management *(only supported under PRSC 5).* Actions intended under this objective were the preparation of guidelines for the environment and natural resources sector. The PD for PRSC 5 (page 14) reported that "environmental impact assessment guidelines were developed and implemented in most major sectors", local government manuals to promote environmentally sustainable planning were prepared and implemented in several districts. In support of the National Forestry Tree Planting Act arrangements were put in place to implement the National Forestry Plan. Plans to continue this objective, which would have finalized an investment plan and started its implementation as well as continuing support for the National Environmental Management Agency (NEMA), were not included in the PD for PRSCs 6 and 7 because it was not deemed to be an appropriate instrument to deal with environment /forestry issues (advice from the TTL for PRSC 6). On the other hand the Bank supported the activities of NEMA through investment projects. In view of the less than expected outcomes this Review rated the efficacy of this objective the achievements as *modest*

(iv) Strengthened financial sector in support of increased production of goods and services *(only supported under PRSC 5).* The PD for PRSC 5 (page 14) reported that large and sustainable micro-finance institutions (MFIs) were expanding into rural areas and were reaching more than 1 million people overall (mainly in small towns and rural areas)". PRSC 5 contributed to capacity building of these institutions through the Micro Finance Capacity Building Unit and the Matching Grant Facility for Capacity Building (MCAP). It was planned that during PRSCs 6 and 7 the support for MFIs through MCAP would continue with oversight by Savings and Credit Associations (SACCOs). The efficacy of the outcome of this objective was rated *substantial*.

PEAP Pillar 4 - Good Governance : Strategic objectives supported by the PRSCs were:

(i) Strengthened legal and justice systems *(only directly supported under PRSC 5).* This strategic objective was focused on improving the regulatory and service delivery framework for private sector investment. The sector also made gains in monitoring and evaluating programs, with two reviews a year and in the process of developing a second Sector Strategic Plan drawing lessons from successful implementation of the first one (PD for PRSC 5, page 15). Although this objective was not continued as part of PRSCs 6 and 7 the strengthening of laws to improve the investment climate in Uganda, such as simplifying the requirements to register a company, were accomplished as part of the first strategic objective under Pillar 2 of improving the investment climate for the private sector. However, as noted above, the legislation required to make the changes was stalled in Parliament and not passed before PRSC 7 closed. This Review rates the efficacy of this strategic objective as *modest*.

(ii) Public Sector Management Strengthened - including improved public financial management (PFM) and procurement, reduced corruption, improved public sector performance, and strengthened local government (LG) systems for better service delivery .

Public financial management . PRSCs 5 to 7 continued previous Bank support to the strengthen Uganda's PFM. PRSC 5 focused on modernization of the regulatory framework and introduction of the Integrated Financial Management System (IFMIS) in all 18 central government ministries and 9 local governments identified in the Public Expenditure and Financial Accountability report of 2005 (ICR, page 16). The result was that 99 percent of ministries and local governments prepared regular financial statements on time in 2008/09 - a substantial improvement from 51 percent in 2004. The proportion of "clean" audits in GoU institutions was 40 percent in 2008/09 up from 21 percent in 2005/06. Other assessments showed that Uganda made progress on PFM (ICR, page 17). The efficacy of this sub-objective was rated as *substantial.*

Procurement . PRSCs 5 and 6 gave priority attention to reviewing procurement law and planning while PRSC 7 focused most on strengthening the Public Procurement and Disposal of Assets Act (PPDA Act) and building procurement capacity. Amendments to the Act were submitted to Cabinet and then, with some delays, to Parliament in August 2009 - thus meeting one of PRSC 7's second tranche conditions (see ISR #2 for PRSC 7 and the ICR, page 18). Although, Cabinet changed the draft to allow local governments the option of bypassing standard procurement procedures, the GoU has assured the Bank that the amendment submitted to Parliament would be revised or the associated regulations to the Bill will remove the option and meet international best practice standards. Parliament has not yet considered the Bill (ICR, page 18). The efficacy of this sub-objective was rated as *modest.*

Reduced corruption . Improving PFM contributed to the Bank's effort to address corruption. Based on the

National Integrity Survey corruption had not been reduced during the recent PRSC series and Transparency International came to the same conclusion. Uganda ranks 130th out of 180 countries in its 2009 Corruption Perception Index which is below many other African countries (ICR, pages 19 and 35). The efficacy of this sub-objective was rated as *negligible.*

Improved public sector management . Weakness in public sector management in Uganda is consistent with its CPIA ratings. Low revenues and inadequate staffing were major problems. During the PRSC series the percentage of local government (LG) revenues as a share of their budgets fell from 6 to 3 percent between 2002/03 and 2008/09, far short of the 9 percent target. The decline was probably caused by abolition of the graduated tax (flat tax on employed Ugandans over 18). The PRSCs assisted by designing other revenue sources to offset the loss of the tax. Also, under PRSC 6 the Ministry of Local Government was restructured to improve its capacity and PRSC 7 supported actions to enhance LG staffing fill rates from 35 to 46 percent. Despite the LG's other revenue sources, the percentage of transfers from the central government that had conditions attached rose to 95 percent of LG budgets compared with a target of 91 percent (ICR, pages 20 and 21). The efficacy of this sub-objective was rated as *modest .*

This Review rates the efficacy of the second strategic objective under Pillar 4 (made up of four sub-objectives) as *modest.*

PEAP Pillar 5 - Human Development

(i) A better educated society - including increased access to and quality of primary, secondary and tertiary education. The ICR notes the many challenges facing the education system, gender disparities . stagnation in completion rates and regional inequalities. The PRSC series supported an increase in the number of teachers, textbooks and classrooms. PRSC 5 focused on enrollments and the ICR noted that primary enrollment rates for boys and girls at the end of the series exceeded PEAP targets . The number of teachers on payroll reached 99.4 percent of the approved ceiling, and teacher:pupil and teacher:classroom ratios both improved and were close to PEAP targets (ICR, pages 21 and 22). Pupil:textbook targets were met and, probably as a result, literacy at primary completion for boys and girls improved from 34 percent to 44.5 percent from 2003-2007 (see PD for PRSC 7, paragraph 115). The primary completion rate for girls improved but for boys it declined, due to high drop out rates, high repetition rates, inadequate supervision and inadequate community involvement . The PRSC dialogue resulted in enactment of the 2008 Education Act establishing GoU's education policy and delivery structure (ICR, pp 21 and 22). While indicators of education access and quality are partial and problems remain there is substantial evidence that PRSC objectives were met or were very close to being met . The efficacy of this objective was therefore rated as *substantial.*

(ii) Healthier Ugandans - including improved utilization and quality of health care, improved access to maternity services, improved family planning, and improved children access to immunization care . Reforms in the health sector under PRSCs 5 to 7 took place at the same time the first and second Ugandan Health Sector Strategic Plans were implemented and supported by Sector Wide Approaches (SWAps). High infant and maternal mortality rates and high fertility rates posed serious risks and challenges during the PRSC series (ICR, page 28). The results documented in the ICR show that health care services delivery (e.g. standard of health centers, and health centers' capacity to deliver services) reached or surpassed PEAP targets (ICR, Table 6). On the other hand health outcome indicators (e.g. percent of under 5 malnourished, percent immunization, percent of women receiving complete IPT2 doses, and percent of women attending anti natal clinics were below their modest PEAP targets but not by more than 2 percent. One health indicator for which performance was substantially better than the target was the number of "couple years" of HIV protection (ICR, Table 5) . The contradiction between the availability of physical services at or better than PEAP target levels and results below target levels is (according to the ICR) due to pilfering of drugs and poor management. For example, only 26 percent of health centers have "no stock outs" compared with the target of 35 percent and below the 35 percent already achieved in 2006/07 (ICR, page 23). In addition, only 56 percent of health centers (PEAP target was a modest 55 percent) have approved posts filled with trained health workers in 2008/09 (ICR, Table 6). This indicates corruption and chronically inadequate staffing which, as suggested in the ICR, probably means that MDG health targets are unlikely to be achieved. The efficacy of this objective was rated as *modest.*

(iii) Improved Water and Sanitation Services - including improved access to safe water supply and sanitation and improved water facilities maintenance . For rural water supplies 63 percent access was achieved in 2007 compared with 55 percent in 2000, and targets of 77 and 62 percent for the PEAP and the MDGs respectively. The proportion of functional rural water sources reached 83 percent in 2007 compared with 70 percent in 2000, but just short of the target of 85 percent. In urban areas 71 percent access was achieved compared with 60 percent in 2002 and PEAP and MDG targets - each 77 percent (ICR, page 25). Access to sanitation in rural areas was 68 percent and fell marginally short of the 69 percent PEAP target. In urban areas access to sanitation was 73 percent compared with the PEAP target of 77 percent (ICR, Table 7). An important reason for the sound results was the effectiveness of the National Water and Sewerage Corporation - one of the few public utilities in Africa that covers operating costs and makes provision for depreciation (ICR, page 25). The efficacy of this objective was rated as *substantial.*

5. Efficiency (not applicable to DPLs):

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		%	%
ICR estimate		%	%

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

6. Outcome:

The relevance of the PRSC series objectives to country and development partner strategies was substantial, but the relevance of its design was modest. Giving most weight to the relevance of design because of its crucial operational importance for this program, the overall relevance of this series of PRSCs is rated as modest . Based on the ratings of the strategic objectives, the efficacy of each of the four PRSC program pillars was as follows:

Pillar 1: Improved economic management - substantial
Pillar 2: Production and competitiveness - mid way between substantial and modest
Pillar 4: Governance - modest
Pillar 5: Human development - substantial.

On the basis of giving most weight to the strategic objectives in Pillars 1 and 5 (macro economic stability led by private sector growth and education, health and water supply) because they arguably most closely reflected the core priorities presented in the Letters of Development Policy for the PRSCs, together with the significant reduction of poverty as at 2009/10 which could to a significant extent have been attributable to macroeconomic stability and better social services, the efficacy of PRSCs 5 to 7 is rated as substantial. In light of moderate shortcomings in relevance and substantial efficacy, although also not without some moderate shortcomings in respect to a number of strategic objectives, the overall outcome of the series is rated as *moderately satisfactory*.

a. Outcome Rating : Moderately Satisfactory

7. Rationale for Risk to Development Outcome Rating:

The ICR summarized two risks to development outcomes; (a) national election in 2011 which threatens political support for sustained reform programs; and (b) demographic trends (39 million people in 2015) which threaten fiscal sustainability which will in turn have severe implications for the sustainability of the delivery of services .

National elections and political sustainability of reform : Political support for a sustained reform program will depend on the perception of the program by the next elected Parliament in 2011. If favorable then the stalled legislation crucial to the reform program will probably be passed and improve the prospects for sustained reform . The new Parliament may also enact further reforms such as those that address corruption, but nothing can be taken for granted because of Parliament's historical reputation for slow action .

Demographic trends and fiscal sustainability of reform : As the population grows at between 2 and 3 percent per annum the demand for infrastructure development and social services will continue to grow . The Government is already prone to budget overruns during the year necessitating diversion of funds from service delivery in favor of supporting fixed costs such as the cost of the civil service and decentralization that both appear to be out of control. Additional taxes may not be a sufficient solution and hence fiscal sustainability will depend to a large extent on the daunting task of civil service reform to improve the Government's efficiency and trimming the expansion of local government.

In summary, these risks to development outcomes are caused by lack of Parliamentary leadership and fiscal mismanagement. Future Parliamentary leadership is difficult to assess but these risks are not addressed they will undermine hard won progress on development outcomes so far. On the other hand, the GoU has shown sound judgement on fiscal issues in the past and will probably avoid the fiscal traps that lie ahead. On balance this Review rates the risk to development outcome as *moderate*.

a. Risk to Development Outcome Rating : Moderate

8. Assessment of Bank Performance:

Quality at Entry . The preparation of PRSCs 5 to 7 was informed by considerable Government analytical work such as the PEAP and many sector strategies. In addition the Bank had completed a substantial volume of relevant economic and sector analysis. The Bank worked closely with the GoU and development partners and, using the latest PEAP and the UJAS, had a ready-made set of objectives and indicators for the PRSC series. However, as explained in section 3 above, the design of the series at entry was questionable because of; (a) weak policy matrix (not a results matrix) in PRSC 5 with an unmanageable number of indicators; (b) subsequent matrices for PRSCs 6 and 7 were more compact but without a results orientation that traced the progress of the PRSC series; (c) a complex set of many multifaceted objectives; and (d) a participative but weak M&E framework. These issues are all mentioned at various points in the ICR. On the other hand the strategic objectives addressed by the PRSCs were relevant to the problems faced by the GoU but this did not outweigh the design problems. This Review therefore rated quality at entry as *moderately unsatisfactory*.

Bank Supervision . Bank missions dealt with a variety of issues that emerged during implementation. It seemed self serving and unnecessary, however, for the ICR to congratulate the Bank for "learning as it went along", and that it "showed flexibility and reacted well to the urgent need to temporarily shift course" (page 44). A business model that depends on learning as one goes along is not acceptable when the fortunes of poor people are at stake, and it should also be normal for the Bank to be flexible. Also, the Bank was right not to shy away from the PPDA Act issue on procurement by the LGs but, as the ICR suggested, the Bank "might have done better" in monitoring the Cabinet process which resulted in the defective the PPDA legislation (page 45). After all this matter was a tranche release condition. The need to closely monitor government policies, strategies and actions through a collaborative dialogue is exactly why more staff resources have been located in Kampala. The Bank should not, as the ICR states, have been taken by surprise (page 45). On the other hand the ISRs for PRSC 7 (for example) show that the Bank also worked very diligently to monitor and ensure the GoUs attention to a satisfactory macroeconomic performance during the series. On balance this Review rates the Bank's supervision performance as *moderately satisfactory*.

a. Ensuring Quality -at-Entry: Moderately Unsatisfactory

b. Quality of Supervision : Moderately Satisfactory

c. Overall Bank Performance : Moderately Satisfactory

9. Assessment of Borrower Performance:

Government Performance . The Government's performance, as the ICR observes, declined during the time this PRSC series was implemented. There are many examples in section 4 above. The lack of progress on the PPDA Act and the weak performance of the health sector are prime examples. The ICR did not assess the reasons for declining performance. There were, however, a number of positive aspects to the Government's performance. There is no question that achieving 7 percent annual growth, lowering the fiscal deficit to 8.9 percent (almost reaching the target of 8.2 percent), and lowering the external debt were creditable achievements in light of the global financial crisis. Obviously recent high coffee prices helped boost export income and GDP growth. This Review rates Government performance as *moderately satisfactory*.

Implementing Agency Performance . There was no implementing agency, rather four Government-wide coordinating committees were formed to manage and monitor the PRSCs. In line with the guidelines for preparing ICRs, the ICR has not separately rated the performance of the committees because they are indistinguishable from the Government.

a. Government Performance : Moderately Satisfactory

b. Implementing Agency Performance : Not Applicable

c. Overall Borrower Performance : Moderately Satisfactory

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

M&E Design: The GoU streamlined the M&E framework into the National Integrated Monitoring and Evaluation Strategy (NIMES) to assess progress of the PEAP. However, it was not simple and included about 100 strategic objectives but many indicators could not be measured and, even for those that could be measured, targets were often missing. The policy and results matrix for PRSC 5 was embedded in the NIMES but this matrix had problems because (a) it was quite large (49 pages) containing a policy and results matrix as well as a monitoring matrix; (b) there were many missing indicators and targets; and (c) although it was supposed to be a results framework, it was devoid of any results chains over the 4 year implementation period. The Bank sought to simplify the M&E framework for PRSCs 6 and 7 making them much shorter, dropping two objectives and amending two other objectives. The policy and results matrix was combined with the monitoring matrix. However, the matrices for PRSC 6 and 7 were still without a results chain.

M&E Implementation : The GoU prepared biannual status reports and an annual PEAP Implementation Review (APIR). In addition, annual sector reviews were prepared. All these documents were discussed but it has been observed by the GoU that they have not led to "the development and institutionalization of the necessary monitoring and evaluation function in the public sector" (National Development Plan, 2010/11 to 2014/15).

M&E Utilization : The ICR states that "The M&E system was not sufficiently operational for tracking and reporting on outcomes and results and providing feedback to both Government and development partners" (page 30).

a. M&E Quality Rating : Modest

11. Other Issues (Safeguards, Fiduciary, Unintended Positive and Negative Impacts):

Safeguards : There were no safeguard issues associated with the programs.
Fiduciary Issues : There were no fiduciary issues.during the implementation of the programs.
Unintended Positive and Negative Impacts : No unintended positive or negative impacts were identified.

12. Ratings:	ICR	IEG Review	Reason for Disagreement /Comments
Outcome:	Moderately Satisfactory	Moderately Satisfactory	
Risk to Development Outcome:	Significant	Moderate	This Review came to a more positive judgment of the Government's ability to address the issues which the ICR felt would significantly risk the sustainability of development outcomes. Note also that for the MDRI Uganda is defined as a "strong policy performer".
Bank Performance :	Moderately Satisfactory	Moderately Satisfactory	
Borrower Performance :	Moderately Satisfactory	Moderately Satisfactory	
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:

The ICR listed 8 lessons which were relevant and useful, although many of them have been learned before .

One of the most important lessons mentioned in the ICR is the need to keep the policy areas for PRSCs to a few core issues. The previous PRSC series had drawn the same lesson but the PRSC 5-7 series also suffered from too much complexity because of the numerous strategic objectives .

A second issue not mentioned in this ICR is the old lesson that approval of legislation by the Government is not an assurance that Parliament will pass the legislation . During this series the Government prepared legislation for important changes to regulatory policies only to find that 2 years later the legislation has still not become law. A new series of PRSCs has been launched before issues in a previous PRSC series were addressed. The lesson should be that all unresolved issues from previous PRSCs need to be successfully addressed before a new series is launched . It is not surprising to learn from the ICR that PRSCs 8 - 9 "will follow up on many of the areas of PRSCs 5-7" (page 30). It was also stated on the same page of the ICR that Board presentation of PRSC 8 "has been delayed until 2011 in order to address the loopholes in the procurement act " - i.e. the PPDA referred to in strategic objective (ii) under Pillar 4. However, PRSC 8 was presented to the Board and the Executive Directors approved it on September 30, 2010 without evidence that "loopholes in the procurement act" had been addressed. There was only an oblique reference to this issue in the PD for PRSC 8 - namely that "Whereas there has been progress in some areas of public procurement reform, legislative reforms in this area remain slow and suffer occasional setbacks such as the recent amendments to the Public Procurement and Disposal of Assets Act proposed by Cabinet, now in Parliament " (paragraph 19).

14. Assessment Recommended? ○ Yes ● No

15. Comments on Quality of ICR:

The ICR presented a wealth of complex material in an interesting and readable text . However, there were some errors and inadequate explanations such as Sections 1.3 and 1.5 on page 4, which took a substantial time and advice from a former TTL to unravel. On the other hand, it was refreshing to see political economy issues discussed. The ICR refers to the impact of democratization in Uganda using the example of legislation submitted by Cabinet to Parliament and years of inaction by Parliament .

a.Quality of ICR Rating : Satisfactory