

1. Project Data:		Date Posted : 12/07/2011	
PROJ ID : P002952		Appraisal	Actual
Project Name :	Ug-n Uganda Soc Action Fund (fy03)	Project Costs (US\$M):	133.54 133.33
Country:	Uganda	Loan/Credit (US\$M):	100 120.19
Sector Board :	SP	Cofinancing (US\$M):	0 0
Sector(s):	Other social services (35%) Health (20%) Primary education (20%) Water supply (15%) General agriculture fishing and forestry sector (10%)		
Theme(s):	Decentralization (20% - P) Conflict prevention and post-conflict reconstruction (20% - P) Participation and civic engagement (20% - P) Other social protection and risk management (20% - P) Social safety nets (20% - P)		
L/C Number:	C3697; C4626		
	Board Approval Date :		07/23/2002
Partners involved :	Closing Date :	04/20/2008	03/31/2009
Evaluator:	Panel Reviewer :	Group Manager :	Group:
Gita Gopal	Robert Mark Lacey	IEG ICR Review 1	IEGPS1

2. Project Objectives and Components:

a. Objectives:

The **Project Appraisal Document (PAD)** (pg. 2) states the objectives as:

"To empower communities in Northern Uganda (18 districts located in the north and east) by enhancing their capacity to systematically identify, prioritize, and plan for their needs and implement sustainable development initiatives that improve socioeconomic services and opportunities . In so doing, NUSAF will contribute to improved livelihood by placing money and its management in the hands of the communities ."

The **Development Credit Agreement (DCA)** states the objective as follows: "To support the Borrower's efforts to empower communities living in Northern Uganda and influence their livelihood through :

- enhancing the capacity of the communities to systematically identify, prioritize and plan for their needs;
- strengthening the on-going reconciliation process in Northern Uganda; and

- implementing sustainable development initiatives that improve socio-economic services and opportunities and support vulnerable groups, including youth and women affected by conflict .”

The objectives as stated in the DCA are used in this review, because they are more monitorable .

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?

No

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

The project had four components :

1. Community Development Initiatives (CDI): (Planned Project cost : US\$77.77 million; Actual cost : US\$53.04 million). CDI aimed to finance demand-driven community-based initiatives to construct and rehabilitate socioeconomic infrastructure on a small scale . Communities identified their needs in a participatory manner and planned and managed the implementation of the subprojects with the facilitation of local authorities, (LAs), community service organizations (CSOs), Non-Governmental Organizations (NGOs), and private individuals .

Typically each subproject was not expected to cost more than US\$ 20,000, and beneficiary communities were to contribute 20 percent of the subproject cost . This component was meant to reach about 2.5 million people, approximately 30 percent of the population of Northern Uganda .

2. Vulnerable Groups Support (VGS): (Planned Project cost : US\$17.09 million; Actual cost : US\$41.06 million).

This component provided support to vulnerable groups, pre-defined under the project rules . Subprojects were also identified, planned, and implemented through community participation . Communities with insufficient capacity to manage the subprojects would be supported by a Civil Society Organization . Beneficiary communities were supposed to contribute five percent of the subproject cost . This component aimed to reach about 55,000 vulnerable people.

3. Community Reconciliation and Conflict Management (CRCM) (Planned Project cost : US\$2.22; Actual cost : US\$2.87 million). This component, which targeted 800 communities, aimed to implement traditional and non-traditional approaches to peace building, reconciliation and conflict management . It aimed to initiate reconciliation meetings and negotiations between clans or tribes and provided counseling and psycho-social support for ex-abductees, returnees, gun dropouts, and the receiving communities .

The component aimed to build strong ties and integration within and between war-torn societies to enhance the communities' capacity to cope with transitional shocks brought about by the conflict . This component was to be implemented in three subregions : Karamoja, Acholi, and West Nile . Beneficiary communities were supposed to contribute five percent of the sub-project cost.

4. Institutional Development : (Planned Project cost : US\$8.90 million; Actual costs : US\$ 7.80 Million). This component aimed to support the: (a) staffing of the NUMU; (b) capacity building and training for communities and local government staff; (c) information, education, and communication; (d) monitoring and evaluation/management information systems; and (e) poverty monitoring and analysis, including identifying and addressing data gaps . (The costs indicated above do not indicate planned contingencies of US\$ 26.71 and actual of US\$6.57)

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

- The **project costs** were US\$133.33 million (planned US\$133.54 million). The costs for the VGS component were more than double the cost at appraisal, reportedly in response to community demands and the high level of poverty and vulnerabilities in Northern Uganda .
- **Bank financing** of US\$100 million, planned at appraisal, became US\$ 120.19 million, because US\$5 million was received from the Millennium Debt Relief Initiative and the rest was gained due to foreign exchange fluctuations . **Bank financing** was almost fully disbursed; a small amount of US\$42,021 was cancelled.
- The **Government and community contributions** (US\$4.57 million and US\$6.57 million respectively) were much lower than planned (US\$13.3 million and US\$20.2 million respectively). In terms of government contribution, 100% retroactive financing was effected for a variety of reasons including the Government's need for funds to address other emergencies . The DCA was amended on September 18, 2007 after the revision was approved by the Regional Vice President .
- The project's **closing date** was extended from March 31, 2008 to March 31, 2009, to facilitate completion of sub-projects and evaluation studies .

3. Relevance of Objectives & Design:

Relevance of Objectives (High):The project objectives were consistent with those of the current Bank Country Assistance Strategy (CAS), the Uganda Joint Assistance Strategy (UJAS 2005-2009), the Government's Poverty

Eradication Action Plan (PEAP 2004-2009) and the Northern Uganda Peace Recovery and Development Plan (PRDP 2007). Poverty reduction, promoting resolution of the conflict in the North, and supporting social and economic development in the Northern region, were priority objectives of all these documents .

Relevance of Design (Substantial): The project's demand-based and participatory approach was appropriate to engender trust among the affected communities and to increase community ownership of project activities . The obligatory contribution in kind or cash from vulnerable communities was intended to further ownership of, and commitment to, project activities . There were, however, two shortcomings . First, the project design was not adequately responsive to the limited technical, financial, and human resource capacity at the local government level, particularly in ensuring transparent use of funds at the local level . The project relied on ongoing Bank-supported government capacity building efforts to strengthen local governments, and this proved to be inadequate . Second, the strategy to provide private goods (through the VGS component) without adequate institutional and technical support for the income generating activities (such as lack of veterinary services) proved to be less than effective .

4. Achievement of Objectives (Efficacy):

The ICR states that 9,339 subprojects were funded . Of these, 28.8 percent are classified as Community Development Initiatives, 57.1 percent as Vulnerable Groups Support, 9.1 percent as Community Reconciliation and Conflict Management, and 5 percent as Youth Opportunities Programs . A large number of the beneficiaries were women.

(i) Enhanced community capacity to systematically identify, prioritize and plan for their needs (Modest):

- One indicator of community empowerment was the percentage of functional CSMCs . According to the ICR, because of effective training, 98 percent of the CSMCs were functional by the end of the project period against the target of 80 percent. The impact assessment indicates that NUSAF beneficiaries are more likely to have been involved in sub-project identification and management compared to those financed from other funding sources. In several communities, the impact assessment notes that community members acknowledged participation in the election of CPMC leaders who run their sub-projects and confirmed that communities' ability to plan and manage their investments has been improved . However, a Value for Money audit conducted by the Auditor General's Office in early 2010 suggests that there are significant weaknesses in the majority of cases . The audit finds that 70% of the subprojects in a sample of 642 did not maintain cash books as required under the operating guidelines and failed to make use of the standard accounting forms . According to the audit, the poor record keeping was caused by inadequate training of subproject members and lack of follow up training regarding financial matters. Other reports cited later under objective 3 and 4 also suggest that community groups did not have adequate capacity to manage funds .
- About U Sh 169 billion (US\$82 million) was disbursed directly to communities, exceeding the development budgets of local governments in the region . The ICR notes that community-level bodies were strengthened to utilize these funds and to respond to development needs and priorities of their communities . However, the Value for Money audit finds that out of the 642 CDI subprojects visited, 60 percent did not have Community Procurement Committees. The audit further revealed that 50 percent of those that did have procurement committees did not follow procurement guidelines. The NUSAF II PAD also identifies limited procurement training of communities in NUSAF I (which led to elite capture of the sub-projects and lack of collective decision-making by the procurement committee) as a risk that must be guarded against in NUSAF II ..
- The ICR reports that close collaboration with local governments and intensive training helped to strengthen local governments. However, at the same time, external reviewers have expressed the concern that many of the activities pursued under the program were within the realm of local government responsibilities (such as the construction of classrooms, health clinics and other public infrastructure), "NUSAF implemented these activities in a manner that was often duplicative and largely operated parallel to the local government system ." (IDG Working Paper No. 2010-01 January 2010, Urban Institute Center on Institutional Development and Governance). Local Government staff were therefore trained on implementation requirements of the sub-projects and the skills required to support communities .
- Women's participation was encouraged, although the full benefits were not realized given the political context . In the Lira district, a random analysis of the composition of 70 CPMCs showed that women constituted, on average, 41 percent of the committees' membership, exceeding the 30 percent minimum. However, the Borrower's ICR candidly notes that the participation of women, especially in decision -making, has been limited because of the post-conflict environment which constrained opportunities for women to engage in community deliberations. Nevertheless, merely giving women a seat at the community table is an important first step .

(ii) Strengthened reconciliation process in Northern Uganda (Substantial):

The Impact Evaluation Report provides little information on the outcomes of activities that explicitly contributed towards achievement of the above objective, partly because the activities were implemented in 2004 and 2005. This makes it difficult to isolate the project contribution from other factors (such as the establishment of peace in the region and the booming economy in Southern Sudan). The assessment provides mainly qualitative information such

that sub-project beneficiaries were of the opinion that the efforts contributed to the resettlement of abductees and displaced persons, and to strengthening local leaders and civil society organizations to play an improved role in reconciliation and conflict management at the local level . It also notes that "some community members abused the sub-project by faking up conflicts" from which they could benefit (pg. 28). Nevertheless, the project generated several outputs that, according to the ICR, contributed to reducing conflict in the region :

- 1,309 peace promoters trained;
- 458 returnees received reintegration support;
- 652 structured events (including games, sports, and drama and peace meetings) were conducted; and
- 3 institutions that promoted traditional reconciliation mechanisms were supported .
- Communities benefitting from reconciliation efforts numbered 845, against the target of 800.

(iii) Improved socio-economic services (Substantial):

The DCA provided a wide menu of eligible activities for financing . According to the ICR, the main sectors that were funded included: water, education, health, and miscellaneous infrastructure . Improvements in service delivery as a result of the project appears to be mixed (given the data in the ICR), with there being some progress in the water sector and in education, but less so in health .

- Education Services: The project supported the implementation of 1277 sub-projects benefitting 223,271 pupils. The ICR notes that the congestion rate was reduced by 12.8 percent as opposed to the planned 15%. As a result of the construction of 1221 teachers' houses, there was a statistically significant increase in the number of teachers in NUSAF primary schools, which apparently led to teacher efficiency in terms of improved time management, motivation, and extra time given to pupils . The impact assessment finds a slight increase in the share of communities with education sub-projects that report that their schools is well-maintained, compared to a decline in non-NUSAF areas. The Impact Assessment found no statistically significant increase in enrollment in both primary and secondary schools in NUSAF communities versus non -NUSAF communities, although it does find a statistically significant increase in the number of students in beneficiary communities (111 vs. -6).
- Water Services: According to the ICR, service delivery improved in the water sector through implementation of 1,031 water sub-projects, benefitting 310,800 people. The ICR notes that almost 80 percent of their populations in all sub-regions have access to safe drinking water, with 57 percent of the households reporting that the new water sources were provided by NUSAF . The impact assessment finds women noted that the provision of water reduced the time taken to fetch water, and saved time for other productive activities . It apparently also reduced conflicts over sharing of water sources and associated vandalism . This said, a case study of Management of Water Facilities in Gulu and Soroti (as part of a Public Expenditure Tracking Survey (2009) by the Anti Corruption Coalition Uganda (ACCU)) found that "NUSAF projects have been mismanaged by the community . The community based procurement systems used have serious challenges like failure to identify good contractors. Audit of NUSAF activities in the Northern and Eastern Uganda indicates mass mismanagement of funds and has concluded that some projects have not had the expected impact on people 's lives."
- Health Services: The impact assessment did not cover health services, and there is little information on outcomes, although the project financed, inter alia, 41 basic health facilities and 12 maternal clinics, with the aim of benefitting 555,000 people. Operationalizing health facilities in a few districts through recruitment and /or posting of staff by the district / Ministry of Health was found to be problematic . However, according to the project team, when it was clear that government was unable to provide adequate health staff and equipment, the project halted approval and rehabilitation of health facilities in October 2005.
- Other Infrastructure: The ICR states that 80 community roads, 14 bridges, 6 culverts, and 52 community centers were constructed or rehabilitated, but neither the ICR nor the impact assessment provide any information on outcomes.

(iv) Improve Opportunities (Livelihoods) of Vulnerable Groups (Modest):

- Sub-projects contributing towards this objective covered about 57 percent of the total sub-projects financed. The funds were distributed among the key intervention areas as follows : income-generating activities (71 percent); time and labor-saving technologies (18 percent); vocational skills training (3 percent); family support (7 percent); and counseling and psycho-social support (1 percent).
- According to the ICR more than 200,000 beneficiaries from vulnerable groups improved their livelihoods through project-financed provision of agricultural inputs and other tools as well as purchase of livestock . Attribution of such results to project outputs is, however, challenging and the Impact Assessment undertaken by the Bank suggests that such improvements could also be a result of the fact that peace returned to the region and to a booming economy in Southern Sudan . The Assessment finds that these interventions did not have any notable impact on social capital. The Assessment also finds little evidence that NUSAF increased consumption beyond what was occurring for other reasons during this period in NUSAF region . About 5 percent of the sub-projects targeted 'youth' as a special vulnerable group, and provided them with training and toolkits to start up their own businesses. A separate randomized evaluation (June 2011 and still in draft) concluded more positively about

this small component, noting that youth beneficiaries fared significantly better than non-beneficiaries. However, this study cautions that evidence on high returns and market failures is preliminary.

- Several other reports also suggest that the results were modest :
 - An independent study of some NUSAF programs, namely cash to support livestock for highly poor households, and cash to communities for infrastructure construction, concluded that beneficiaries often did not manage the funding well (Golooba-Mutebi and Hickey 2010). It was based on qualitative interviews with officials, community leaders, and beneficiaries. Interviews suggested that projects were not well researched, funds were mismanaged, and intra-group disagreements were commonplace. The study found that poor people cannot be expected to be responsible for their own recovery in such conflict-ridden contexts, and that the program actually had disempowering effects.
 - The Value for Money audit finds that 67 percent of the 1068 income-generating sub-projects were "unsuccessful" and that the community did not benefit to the extent anticipated from the services they were expected to receive from these subprojects. (Note: Management argues that these findings are beyond the scope of the audit and that the sub-projects reviewed may not have been representative).
 - Several press reports note that NUSAF was fraught with allegations of corruption. They report "ghost projects", allege fraud and elite capture, and provide examples where lack of technical services have resulted in animals dying, or of people selling the animals as soon as they were received given the dire poverty in the area.

5. Efficiency (not applicable to DPLs):

Overall, efficiency is assessed as modest :

- The ICR estimates that "on average NUSAF subprojects were cost effective" when compared to other projects. According to the NUSAF II PAD on average the per capita cost of infrastructure was US\$ 10 less than other projects.
- At appraisal, NUSAF's low overhead costs were expected to contribute to project efficiency (NUSAF I PAD). Actual overhead costs were, however, three times higher than planned (US\$14.9 million (Bank database) as against US\$4.4 million planned at appraisal; see also NUSAF II PAD, page 46). This partly resulted from 19 initial districts being divided into 29 districts; NUSAF offices had to be established in each district.
- The PAD for NUSAF II notes inefficient procurement for reasons including a limited number of suppliers for certain goods and limited procurement experience of community groups, leading to elite capture of the sub-projects. There was also limited publication of bidding opportunities. The 2010 Value for Money audit also finds that "failure to follow the Community Based Procurement Guidelines led to escalation of the cost of the sub projects."
- The Value for Money Audit showed considerable inefficiencies in sub-project funding. For example, 20 percent of the 2,650 CDI subprojects audited received funds above the budgeted amount, as did 10 percent of the 5,306 VGS subprojects. It attributed over-funding to the lack of an effective internal audit function. A portion of the over-funding was recovered but there was still an over-funding balance left of almost US\$528,000 which had no proper justification, thus indicating that the expenditure was probably wasteful. The audit also found that "the average completion time for the construction of CDI sub projects during the NUSAF project life span was found to be 27 months as compared to 12 months provided for in the guidelines. The delays in completion of sub projects was attributed to "slow disbursement of funds to sub projects, non-adherence to procurement guidelines and lack of proper monitoring and supervision by technical experts." Another report from Agency for Sustainable Development Initiative (ASDI) suggests that 98 percent of the projects in Apac were not completed in three years - allafrica.com/stories/200702150132.html. The Value for Money audit also found that out of the 449 completed sub projects, 30 percent were not functional because they lacked basic facilities.

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	No		
ICR estimate	No		

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

6. Outcome:

Relevance of the project objectives was high and that of design substantial. Project efficacy in the case of two objectives is substantial, while that of two other key objectives (providing livelihoods that included about 57 percent of all sub-projects and strengthening community capacity to plan and implement development interventions) is modest. Efficacy was also undermined by governance issues. Although per capita infrastructure costs were lower than in other projects funded by the Government and other agencies, efficiency is rated as modest given high

overhead costs, significant delays in sub-project implementation, uneconomic procurement, and over-budget funding. Overall, project outcome is rated as moderately unsatisfactory .

a. Outcome Rating : Moderately Unsatisfactory

7. Rationale for Risk to Development Outcome Rating:

Although the Bank has funded a second phase of NUSAF, risks to development outcome remain significant . It is uncertain if the return to peace can be sustained . Weak governance is a critical issue given that the funds are dispersed in many remote parts of Northern Uganda . The risk that funds already lost to the communities through weak governance systems may not be recovered remains high . There are continuing press reports of weak governance. Lack of adequate maintenance of infrastructure built under the project also constitutes a significant risk given the weak local government system .

a. Risk to Development Outcome Rating : Significant

8. Assessment of Bank Performance:

Quality at Entry (Moderately Satisfactory): The Bank addressed relevant issues . The community-based approach and the strong linkages with local government and other development partners were appropriate given that Northern Uganda was ruptured by conflict . Gender issues were well integrated into project design . However, the project design did not include a clear strategy as to how the VGS component would achieve its objectives . A clear results framework was prepared, although associated indicators stated in the DCA focused mostly on outputs. Adequate fiduciary mechanisms were not integrated to balance the weak capacity of local governments, and these required considerable strengthening after misuse of funds was discovered during project implementation.

Quality of Implementation Support (Moderately Unsatisfactory):

- Positive aspects included that the presence of staff in the Kamapla office, who helped in providing timely help in several areas. The team prepared a Mid-term Report (MTR) report, based on which several changes were recommended. It took timely action in the case of the health sub-projects, when it found that the facilities were not being staffed as expected .
- This said, there were several weaknesses that were not adequately addressed during supervision missions or in the ICR. While monitoring was undertaken and problems noted in supervision reports, steps were not taken in a timely fashion to address many of the weaknesses :
 - The Management letter for the year ending June 30, 2007 indicated the misuse of funds. The final report for the Financial Management Review of the NUSAF (November 2008), a year later, noted that the problems persisted .
 - The Value for Money audit finds fiduciary weaknesses (such as over-disbursement of funds to project committee accounts, non-adherence to procurement guidelines, and weak technical supervision of sub-projects) that it notes could have been addressed through improved monitoring and supervision, better expenditure tracking, and effective training .
 - The Bank did not involve Government organs adequately in NUSAF I to enhance transparency and accountability in the use of funds even after the allegations of misuse of funds and "ghost projects" were reported. It has taken several such steps in NUSAF II, which prompted the current Executive Director of NUSAF to comment in 2011: "unlike NUSAF I which was froth with corruption, NUSAF II is integrated with the Inspectorate of Government to which one percent of the total project money has been apportioned for rapid corruption detection and fixing ." (<http://ugandaradionetwork.com/a/story.php?s=37398>)
 - Although the press had started reporting widespread allegations on misuse of funds at the local level as early as in 2006, and President Museveni had publicly ordered an investigation in late 2007, the Bank team did not seek INT's guidance or intervention until 2011.
- The ICR, prepared before 2009 year end audit (received in May 2010) notes that US\$240,000 of unaccounted funds were returned to the Bank, but does not identify the possibility that there could be more unaccounted funds . It assumes that all such issues have been resolved . It is only the 2009 year-end audit that found that about Ug shillings 3.3 billion (US\$1.6 million) remained unaccounted for at project closure.
- Unaccounted funds are yet to be fully recovered from the Government . A letter was sent by the Bank to the Government on March 31, 2011 requesting information on progress made in resolving the issue . By June 22, 2011 about Ug Shs 1,910,986,180, (about US\$ 926,538) has been accounted for, leaving a balance of Ug Shs 1,464,514,350 (US\$710,067 (about 0.5% of project cost).

a. Ensuring Quality -at-Entry: Moderately Satisfactory

b. Quality of Supervision :Moderately Unsatisfactory

c. Overall Bank Performance :Moderately Unsatisfactory

9. Assessment of Borrower Performance:

Government performance (Moderately Satisfactory): Overall, performance was moderately satisfactory, with the Borrower remaining engaged with the project. The ICR rates the performance as MS due to (a) delayed project effectiveness; (b) slow recruitment of staff; (c) initial inadequate guidance by the project steering committee to the project Management Unit; and (d) intermittent lapses in transparency and accountability in some local governments. However, it notes that these challenges were largely corrected as project implementation proceeded, and after MTR the project remained on track. Although the government was unable to fulfill key fiduciary obligations, the Auditor General's Office provided an independent Value for Money Audit that provided a rigorous report of accountability issues and pointed out deficiencies. There was also significant political commitment to address these allegations and there are recent reports in the national press of several convictions.

Implementing Agency Performance (Unsatisfactory): The ICR notes that the implementing agency followed project procedures and guidelines and in general operated in a very difficult environment with several communities who were isolated and difficult to reach. They also prepared an ICR, attached to the Bank's ICR. However, they should have more diligently ensured that project funds were properly accounted for or taken adequate steps to mitigate the risks early on. The Value for Money audit also finds that only 33 percent of the 642 CDI subprojects were monitored on a monthly basis and only 5 percent were supervised and monitored by the District Sector Specialist/District Engineer. The audit further establishes that 80% out of the 642 CDIs subprojects did not have payment certificates attached to the payment vouchers. Documentation review and interviews revealed that staffing gaps and laxity of the sector specialists (both from the project as well as from the district), were the cause of inadequate supervision of civil works.

a. Government Performance :Moderately Satisfactory

b. Implementing Agency Performance :Unsatisfactory

c. Overall Borrower Performance :Moderately Unsatisfactory

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

M&E at Design. The M&E system was designed to be highly decentralized, and multisectoral M&E teams were established in each of the 18 districts to enhance local data collection and analysis. While such a design allowed for participatory monitoring, according to the ICR, this sometimes led to inefficient parallel collection points and data duplication.

M&E during Implementation. Establishing the M&E system was delayed. After the Mid-Term Review, improvements were made, with local governments trained in data management and analysis and more standardized data collection tools put in place. The ICR states that a good balance of qualitative and quantitative evaluations was also initiated. According to the ICR quarterly M&E reports were prepared and disseminated widely. An impact evaluation was undertaken, which informed the ICR. However, monitoring of outcomes was weak, with some of the important evaluations being conducted after project closing. The Value for Audit Report also suggests that tracking systems were inadequate to monitor proper use of funds.

M&E Utilization: The ICR states that data from the M&E system was used extensively for strategy definition, policy orientation, and resource mobilization, shaping the Northern Uganda Peace Recovery and Development Plan (2007) as well as for preparing applications for additional external support. There is no indication whether this refers to data on inputs, outputs, or outcomes.

a. M&E Quality Rating : Modest

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

- The project was classified as Category F for purposes of OP 4.01. The ICR identifies no serious safeguard

issues, noting that screening processes for both environmental and social impacts and the ensuing Environmental Management Plan were mainstreamed into the subproject cycle, right from desk appraisal to monitoring and evaluation. It notes, however, that the capacity at the local level in a number of related areas was weak. Also, there is some evidence in project files that environmental assessments were expected to be undertaken with community contribution, which did not always materialize.

- As discussed above, and highlighted in the Value for Money audit, there were significant fiduciary issues. Some of these were discussed in both the local and international media. The Monitor, a local newspaper, noted that President Museveni ordered an investigation into misuse of NUSAF money in Amuru District in October 2007. In 2007, the Institute of War and Peace Reporting (IWPR) published a report on alleged fraud in NUSAF, subsequent to which there was a protest rally in Lira District. In 2008, the IPWR website announced that "The authorities are belatedly cracking down on suspected fraud that has plagued a long -running development programme in the north of the country and raised doubts about the effectiveness of a major new reconstruction project for the region". In 2010, the Gaurdian reported that "NUSAF's public image was tainted by allegations of corruption. Government officials and service providers have been accused of embezzlement and of doing sub-standard work or no work at all." There was also a report in a Ugandan newspaper in 2008, to the effect that "files and documents associated with some projects under investigation have reportedly vanished."

12. Ratings:	ICR	IEG Review	Reason for Disagreement / Comments
Outcome:	Satisfactory	Moderately Unsatisfactory	Shortcomings in achievement of objectives and modest efficiency (see Sections 4 and 5 above).
Risk to Development Outcome:	Moderate	Significant	Various reports indicate the significant risks of a CDD project in a context of weak community and institutional capacity.
Bank Performance:	Satisfactory	Moderately Unsatisfactory	Significant fiduciary issues, some of which came to light after the ICR was completed, were not addressed in a timely manner.
Borrower Performance:	Satisfactory	Moderately Unsatisfactory	Weak fiduciary compliance on the part of both Government and implementing agencies.
Quality of ICR:		Unsatisfactory	

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:

- In contexts of conflict, where governments are unable to pay their traditional role, an instrument such as a social fund has a special role in ensuring services for the poor in particular, and in building local capacity to demand accountability. However, achieving this against the background of weak governance and local government capacity raises a number of challenges. While it is important to ensure project ownership by local governments who will ultimately have to help in supervising the activity, and in some cases sustain and maintain the community infrastructure, it is equally essential to have in place transparent and rigorous financial management systems prior to project effectiveness.
- A social fund may be a helpful mechanism in providing communities with public goods such as small community infrastructure. However, to provide private goods through income generating activities, the project design needs to ensure adequate technical and marketing support if objectives are to be effectively achieved.
- Requiring women's participation in project activities is an important first step. Ensuring their participation in decision making is more challenging and needs to be pursued through multiple avenues, such as targeting them for relevant training courses that will increase their confidence and enhance their awareness.
- In conflict situations, the design of CDD should ensure that financial arrangements are completely transparent.

and public at the local level. Systematic dissemination of information on how project funds are being allocated to communities/groups/individuals can help to reduce misuse of funds. There should also be an independent system to settle disputes related to fraud and misuse of funds in a timely manner.

14. Assessment Recommended? ☒ Yes ☐ No

Why? A Project Performance Assessment Review is recommended after NUSAF II closes.

15. Comments on Quality of ICR:

The ICR is unsatisfactory:

- A more analytically rigorous document could have contributed to better answering the question whether a second NUSAF project was necessarily the best way to address the problems of Northern Uganda.
- The ICR's quality and relevance are also adversely affected by the fact that it was prepared before key audit reports were made available.
- The ICR provides a lot of information, but there is insufficient focus on outcomes. There is, for example, little information on the outcomes of the income generating projects (which constituted a large proportion of the project costs) or on the impact and sustainability of the infrastructure, except in very general terms.
- In view of the findings of the Impact Assessment and the Value for Money audit, those of the ICR appear to be overly optimistic and lacking candor. The ICR should have provided a more thorough discussion of the fiduciary and governance issues, rather than giving the impression that these have been resolved.
- There is no discussion of the high operating costs, which are mentioned only in the PAD for the follow-up project. Project costs provided in Annex I do not add up.
- The lessons are based on the assumption that the project design for NUSAF I worked well.

a. Quality of ICR Rating : Unsatisfactory