

1. Project Data:		Date Posted : 06/27/2014		
Country:		Uganda		
Project ID:		P079925		
		Appraisal	Actual	
Project Name:	Sustainable Management Of Mineral Resources Project	Project Costs (US\$M):	28.0	50.3
L/C Number:	C3835; C4517	Loan/Credit (US\$M):	25.0	31.2
Sector Board :	Energy and Mining	Cofinancing (US\$M):		
Cofinanciers :	African Development Bank; Nordic Development Fund	Board Approval Date :		12/09/2003
		Closing Date :	06/30/2009	12/31/2011
Sector(s):	Mining and other extractive (40%); Central government administration (35%); Other social services (15%); Sub-national government administration (10%)			
Theme(s):	Decentralization (23% - P); Participation and civic engagement (22% - P); Regulation and competition policy (22% - P); Administrative and civil service reform (22% - P); Environmental policies and institutions (11% - S)			
Prepared by :	Reviewed by :	ICR Review Coordinator :	Group:	
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2. Project Objectives and Components:

a. Objectives:

Original Objective: "To assist the Borrower's efforts in implementing its mineral sector strategy for accelerated sustainable development and reduction of poverty by specifically : (a) strengthening governance, transparency and capacity in the management of mineral resources, encouraging community development in the mining Districts and improving small scale and artisanal mining; and (b) promoting socially and environmentally compliant development of its mineral sector with a sound private investment base (Development Credit Agreement DCA Schedule 2 p. 20).

The PDO statement in the Project Appraisal Document (PAD) covers the same substance: "To assist the Government of Uganda (GOU) in implementing its strategy to (i) accelerate sustainable development and reduce poverty by strengthening governance, transparency and capacity in the management of mineral resources, with particular emphasis on community development in mining areas and improvement of small -scale and artisanal mining; and (ii) promote a socially and environmentally sound development of the minerals sector based on private investments." (PAD p. 2)

Revised Objective: "Strengthening the Recipient's capacity to develop a sound minerals sector based on private investments and improvements in selected artisanal and small scale mining areas " (Additional Financing Agreement, Credit No.4517-UG, Schedule 1 p.5).

As part of the Additional Financing and a first-order project restructuring approved in September 2008 due to cost increases, the PDO indicators were revised as follows :

- *Dropped:* (i) number of community development plans, which include mineral resources management; (ii) increased collection of mineral fee/royalty and fiscal revenues for regions, due to decentralized fiscal collection procedures; (iii) annual investment increase - mine exports from US\$22 million to US\$250-350 million over 10 years; (iv) revisions of mineral code and regulations enacted 24 months after effectiveness incorporating environment and social aspects; (v) specific regime for gold to improve resource access, liberalize trade, and facilitate regularization of small scale mining (SSM); (vi) operational cadastral and information systems; (vii) number of decentralized public institutions/agencies involved in management of mineral resources; and (viii) percentage of sector taxes collected by decentralized public institutions /agencies.
- *Added:* (i) accuracy/transparency of licensing measured by zero unresolved complaints; (ii) Uganda achieves transparency of mining sector revenues as evidenced by regular publication of such revenues; (iii) mineral exploration and development (US\$ million and number of exploration); (iv) number of licenses given to artisanal and small scale miners (ASM); and (v) incomes of formalized ASM.
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Following standard IEG procedures, the present ICR Review assesses the achievement of the objective as formulated in the Development Credit Agreement and Additional Financing Agreement, the project's legal documents.

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: 09/23/2008

c. Components:

The project components were not revised.

Component 1: Strengthening Governance and Transparency (appraisal cost US\$5.5 million; planned additional funding cost US\$1.2 million, actual cost US\$11.6 million) aimed to enhance the legal and regulatory framework of the minerals sector and stakeholder consultations; and (ii) set-up an adequate institutional framework for the management of mineral resources.

Component 2: Community Development and Small-Scale Mining (appraisal cost US\$5.04 million; planned additional funding cost US\$0.8 million, actual cost US\$1.73 million) supported mineral resource management by communities and improving artisanal and small scale mining activities through development of information systems for and an integrated approach to natural resource management, and the delivery of social services and community infrastructure.

Component 3: Environment and Social Management Framework (appraisal cost US\$2.35 million; planned additional funding cost US\$0 million; actual cost US\$5.04 million) aimed to promote environmentally and socially responsible mining development by creating: (i) a Social and Environmental Unit within Department of Geological Survey and Mines (DGSM) responsible for conducting baseline assessments and monitoring the mining sector's compliance with mining, social and environmental norms and regulations; and (ii) a computerized Environmental Management and Information System that was to include baseline data, the safety and health inspection database, and environmental quality data.

Component 4: Geo-Information and Development (appraisal cost US\$12.06 million; planned additional funding cost US\$13.3 million; actual cost US\$27.6 million) planned to carry out regional airborne geophysical surveys, support mapping and mineral resource assessments, and establish an advisory consultative committee to provide information and consult communities on planned mapping activities.

Component 5. Project Coordination and Management (appraisal cost US\$2.05 million; planned additional funding cost US\$0 million; actual cost US\$4.32 million). The component represented the anticipated project overhead costs, i.e. the operating expenses of a Project Coordination Unit (PCU) within DGSM, which was to coordinate and manage project activities and functions, including procurement, monitoring and evaluation, financial management, record keeping, accounts and disbursement, as well as coordination with other stakeholders, such as other parts of MEMD, NEMA, MGLSD, other ministries/agencies, as well as the Uganda Chamber of Mines, the Uganda Quarry Operators Association, private mining companies, and NGOs.

While the project components were not revised during restructuring, some of the activities were implemented with reduced scope or cancelled, while others were added as additional funding became available from the external partners (see section 2d below).

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

Project cost: Total project cost was US\$50.3 million at closure, 44% higher than the appraisal estimate of US\$28 million, as a result of cost overrun primarily due to higher than expected costs for technical assistance on geological information and mapping, which were explained by the mineral commodities boom (AF Project paper, p.4).

Financing: The World Bank Group contribution consisted of an IDA credit in the amount of US\$ 25 million and Additional Financing of US\$5 million, totaling US\$30 million. At closure, the total amount of credit was at US\$31.2 million due to exchange rate fluctuations. Additional financing from external partners was foreseen at appraisal (ICR, p.12) but financing arrangements were not reflected in the PAD; actual funding comprised a grant in the amount of UA\$5.35 million in local currency or about US\$7.7 million equivalent from the African Development Bank (AfDB) and a credit in the amount of EUR 6 million (or about US\$7 million equivalent) from the Nordic Development Fund (NDF).

Borrower contribution: The Borrower contributed US\$3 million as planned at appraisal.

Dates: The project's closing date was extended twice, by a total of 30 months: (i) from its original June 30, 2009 closing date to June 30, 2011 in conjunction with the approval of an Additional Financing Credit on September 23, 2008 to ensure completion of the originally planned project activities and (ii) through December 31, 2011 due to delays in completion. Main reasons for the delays included delayed project effectiveness and lengthy procurement processing.

3. Relevance of Objectives & Design:

a. Relevance of Objectives:

Original Objective: **Substantial.**

At the time of appraisal, mineral production in Uganda remained far below the comparative levels achieved by countries with similar geological potential. The Government of Uganda strove to redress its unfavorable investment climate, hampered primarily by bureaucratic delays, non transparent allocation of mining licenses, and the lack of modern geological information. The project development objectives were consistent with the Government of Uganda's 2010/11-2014/15 National Development Plan and National Mineral Policy 2001 and Mineral Regulations 2004. The objectives are also relevant to the World Bank Group's FY 11-15 Country Strategy for Uganda at project closure, the key goals of which include good governance and promotion of inclusive and sustainable economic growth through improved conditions for private sector growth and increased sustainability of natural resource management. The objectives are also in line with the main priorities of the Country Strategies at appraisal and during implementation, which emphasized the promotion of private sector driven, export-led growth and aimed at enhancing competitiveness, production and incomes through improving incentives for sustainable management of natural resources, among others.

Revised Objective: **Substantial.**

The statement of revised development objective did not clearly specify what "a sound minerals sector" implied, in particular if compared to the statement of original objective that clearly referred to governance, transparency and capacity in the management of mineral resources, as well as social and environmental compliance. The 2008 additional financing project paper does not specify the definition of "soundness". The ICR refers to a presentation prepared by the project team leader characterizing a "sound" minerals sector by: "(i) financial viability; (ii) good governance; (iii) increasing transparency of mining revenues; (iv) environmental and social responsibility; and (v) generation of lasting benefits to mining communities" (ICR, p. 6). The assessment of relevance of the revised objective will have to be based on the assumption that the statement of the objective implies good governance and transparency, environmental and social responsibility, and improved small scale and artisanal mining. It is equally consistent with the Government's priorities and Bank's Country Strategies for Uganda at appraisal and throughout implementation.

b. Relevance of Design:

Original Objective: **Modest.**

The ICR assesses (p.13) that project activities envisaged to be undertaken under the four components seemed

rather complex and overly ambitious given the time and funds budgeted for implementation . The project activities such as revision of the legal and regulatory framework and establishment of environmental and social management framework were expected to strengthen governance and transparency in the management of mineral resources , and promote socially and environmentally compliant development . However, project design also provided a prominent reference to decentralization (decentralized management of mineral resources and decentralized fiscal collection procedures, PAD Annex 1), while not envisaging support to decentralized management .

Revised Objective: Modest.

The statement of revised development objective is not clear . It did not clearly specify what "a sound minerals sector" implied. The project's design was not changed . As 'a sound minerals sector' was not clearly defined in the revised objective, the assessment of the project results framework will have to be based on the assumption that planned activities, for example, improved regulatory framework and environmental and social management framework, could lead to development of "a sound minerals sector".

4. Achievement of Objectives (Efficacy):

Since the assessment of the revised objective is based on the assumption that 'a sound minerals sector' implies good governance and transparency, environmental and social responsibility, and improved small scale and artisanal mining, the statement of the revised objective is treated equal to the original objective, which represents an expanded version of the revised objective .

Original objective : (a) Strengthened governance, transparency and capacity in the management of mineral resources encouraging community development in the mining Districts and improving small scale and artisanal mining (in implementing Uganda 's mineral sector strategy to accelerate sustainable development and reduction of poverty), and (b) promoting socially and environmentally compliant development of its mineral sector with a sound private investment base (in implementing Uganda 's mineral sector strategy to accelerate sustainable development and reduction of poverty). Substantial .

Revised objective : Strengthening the Recipient 's capacity to develop a sound minerals sector based on private investments and improvements in selected artisanal and small scale mining areas . Substantial .

Outputs

- A Geological and Mineral Information System (GMIS) was developed and became operational under the project . Mining companies interviewed by the ICR team acknowledged the high quality of the airborne geophysical data .
- A Mining Cadastre and Registry System was completed and integrated into GMIS after project closure in March 2012. The system is designed to address accuracy /transparency in issuing of mineral licenses on a first - come-first- served basis and aims at zero complaints . A web portal for public access was launched in September 2012; 150 website visits were recorded with no complaints during the three months up to the completion of ICR .
- An online one-stop shop for mineral rights award and investment process was completed . It allowed for the electronic submission of mining rights applications, as well as transparent, electronic tracking of processing time and other mining rights data.
- A new draft Mining Policy, a Mineral Act, and regulations were prepared (funded by the Commonwealth Secretariat). The review by the office of the DGSM Commissioner was completed but it is unclear when the new law will be enacted and regulations implemented .
- A total of 952 licenses for artisanal and small scale miner were issued during the project exceeding the target of 300.
- 429 among 727 mineral exploration and development licenses granted became active exploration licenses at project closure, exceeding the target of 300.
- Administrative, laboratory, and rock museum buildings at the Department of Geological Survey and Mines (DGSM) were constructed instead of refurbishing four DGSM branches and construction of 3 new ones involved in management of mineral resources .
- As planned, a toolkit for conducting baseline profiles in ASM Communities was completed and piloted in Kasese District. 750 copies of an ASM Handbook were published and distributed widely as reference and training material.
- 50 associations were formed of artisanal and small miners to enhance production and marketing efforts .
- Five major and 20 smaller gender consultations were conducted with key organizations, agencies, and communities with 600 men and 400 women participating. A National Conference culminated in the formulation of a Strategy for Gender equity in ASM. "Guidance Strategy for the Promotion of Gender Equity in Mining in Uganda" was formulated in 2009, which was intended to supplement the ASM strategy by emphasizing gender-specific needs.

- The preparation of community development plans that were to include mineral resources management was cancelled and the resources transferred to fund cost overruns of other project funded activities . 200 local government officers, local leaders, miner leaders, and NGO staff were trained in ASM related topics, including Community Development. Terms of Reference prepared for a consultancy to help communities to integrate ASM into Development Plans.
- Mandated by the Mining Act, ASMs submit health and safety plans as part of their project brief in lieu of full EIA . 590 location licenses with health and safety plans had been approved by December 2011.
- On pilot basis, 18 small grants were awarded that were aimed at enhancing the productivity and environmental soundness of mining related businesses .
- 180 local trainers received training and they themselves subsequently trained about 1,000 miners (40% were women) in practical mining related topics, such as mining methods, legal and regulatory issues, business skills, occupational safety and health, and community development .
- An Environmental and Social Unit (SEU) was created within DGSM to manage environmental and social issues related to mining in liaison with the National Environmental Management Authority in 2005. The unit routinely carried out sensitization of miners and communities on social, environmental, health and occupational safety issues related to mining activities . The Ministry of Energy and Mineral Development proposed a plan for mainstreaming the SEU into the Ministry's structure, as part of the restructuring of the DGSM . The DGSM restructuring (along with the SEU mainstreaming) plans themselves were put on hold to achieve consistency with the planned restructuring of several other ministries . The ICR also mentions that the SEU staff, however, trained under the project had left by project closure .

Outcomes

- Between 2007 and December 2011, 39 companies and individuals purchased geophysical, geological, geochemical data, and maps, generating nearly UGX 135 billion or US\$58,000 in revenues. Mining companies, among them some of the largest global investors, valued the opportunity to purchase raw data in order to identify promising exploration areas.
- In the six year period between 2005 and September 2011 the purchase of a total of 429 licenses allowed about US\$451 million in exploration and development investments in real terms compared to US\$ 5 million in 2003, and outperforming the target of US\$30 million for this project- supported activity.
- Fiscal revenues from mining rose from US\$0.55 million in 2003 to an annual average of US\$ 1.52 million in real terms between 2004 and 2011. In 2010, the annual value of cement, gold and cobalt exports combined, which account for more than 95% of all mineral exports from Uganda, amounted to US\$ 120 million, compared to the baseline value of US\$22 million in 2004, but short of the target of US\$250-350 million per year. However, given the long start-up time of large scale mining operations, it is not clear to what extent the substantial increases in mine exports as well as fiscal revenues are attributable to project supported activities . The increase in fiscal revenues, however, was deemed to be partially attributed to intensified collection efforts .
- The formalization and legalization of informal ASM operations is estimated to have resulted in the increased collection of mineral fees and royalties . The ICR does not provide numbers for the additional revenue collected from 952 newly issued ASM mining licenses. The presumption on increased collection was largely based on the estimate of lost royalties from informal, unlicensed ASM operations that amounted to US\$ 2.6 million in 2008 (ICR, p.22, ref. the United Nations report on Uganda 2012). The UN report (p.27) mentions that the contribution from ASM was estimated at US\$35 million in 2008 , and in 2012 was likely to be higher, in the range of 25-40%, due to rising commodity prices and the growth of ASM . Revenues from exploration licenses, as corroborated by representatives from mining companies interviewed by the ICR team, could be attributable to the project activities.
- The 2001 Mining Act stipulated that 20% of all royalties collected from mining companies were to be transferred from the Ministry of Finance, Planning and Economic Development through MEMD to mining districts (17%) and landowners (3%). As a result of the project, these royalty amounts are now published in local newspapers and thus fully transparent.
- The time taken to process prospecting and exploration licenses fell from 14 days in 2003 to 4 days by project closure. At project closing, prospecting licenses were issued the same day if applicant had proof of payment . The four day target was met if the time the client required to pay is not counted .
- Reduced time to provide geological data : As a result of the GMIS, the time required to provide data to potential investors was reduced from 14 days to one day.
- The indicator of the percentage of sector taxes collected by decentralized public institutions /agencies was dropped. Local governments were collecting some mineral fees /royalty but their share of sector taxes is not known. The project did not provide support to fiscal reform in decentralized collection of sector taxes .
- Average daily ASM income increased from US\$ 3 in 2006 to US\$5 for precious metals and US\$7.50 for industrial minerals in 2011, exceeding the targeted increase of 10%.
- New operations were compliant with the Environmental Impact Assessments (EIAs) requirement. Adverse environmental conditions (e.g., soil erosion, waste dumps, siltation) associated with new large-scale mining operations were avoided as a result of strategic Environmental Impact Assessments that were carried out by the Social and Environmental Unit of the National Environmental Management Authority (SEU/NEMA) for eight new

mining operations between 2005 and 2011. However, due to the severe shortage of operational funding at the Department of Geological Survey and Mines, the technical and administrative arm of the Ministry of Energy and Mineral Development and the mandated “Lead Agency” for environmental management of the minerals sector, no mining inspections to monitor social and environmental impacts and compliance of mining operations occurred after project closure in December 2011. This date also marked time of the departure of SEU staff trained under the project.

- The respondents noted that ASM training raised participants' awareness of the need for proper disposal of human waste, the restoration of the mining sites, tree growing for fire wood used to operate kilns, and the rehabilitation of wetlands in the areas of sand and clay mining . The beneficiary survey (200 GP grant beneficiaries, local government and DGSM staff) found little evidence that the knowledge led to significant behavior changes or that the small grants program benefited the wider community . This was partly attributable to the low density of sub-projects per sub-county. The respondents reportedly expected the subprojects to mature into yield future returns that would benefit the wider community through increased employment opportunities and the development of businesses to service the mining sub -projects.

5. Efficiency:

The project is essentially a technical assistance /capacity building operation and the economic analyses were not carried out. The ex-ante economic and financial assessment in Annex 4 of the PAD utilized “possible contributions of mining to the economy” as a proxy-for measuring efficiency (PAD, p. 58). An ex-post re-run of this approach was not carried out at completion as it was assessed by the ICR team not to yield meaningful results regarding the efficiency of project- funded investments. The analysis section in the PAD did not relate the incremental production value to project investments.

The project experienced cost overruns, which were mainly attributed to increase in input prices as a result of the mineral commodities boom and under-pricing of contracts., i.e., airborne surveys (about 55% of project cost), and the Intranet/Internet provision and civil works (about 28% of project cost). The steep and continuous increase in global mining industry capital expenditure started at the time of appraisal from 2003 to 2008 (ICR, p.15, ref.Economic Commission for Africa (2011)). A comparison of unit costs of airborne surveys, as measured in US\$ per line kilometer flown, carried out in Nigeria, Tanzania and Uganda showed that the unit cost in Uganda were similar to those in the other two countries .

A two- and-a half- year delay in implementation was due to the following factors : (i) the fact that the project financiers (IDA, AfDB and NDF) did not come on board at the same time; (ii) procurement delays caused by complex procurement procedures and the need to harmonize the four financiers’ procurement guidelines with the National Public Procurement and Disposal of Assets guidelines; (iii) the fact that the preparation of a simplified Community Procurement Manual, which did not commence until 2009 reportedly due to ongoing discussions as to whether communities should be carrying out procurement; and (iv) a nearly one-year delay in the approval of the World Bank’s Additional Financing Credit by the Ugandan Parliament following the approval by the World Bank’s Board of Directors in September 2009; as well as (v) a lack of continuity in PCU staff (ICR, p.12).

Efficiency is assessed as **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	No		
ICR estimate	No		

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

6. Outcome:

Original objective (41% weighting based upon disbursements of US\$12.8 before restructuring): Relevance of objectives is assessed as substantial and that of design modest . The project substantially contributed to strengthened management and development of mineral resources and improved small scale and artisanal mining . Efficiency is assessed as modest. Overall outcome rating is Moderately Satisfactory .

Revised objective (59% weighting based upon disbursements of US\$ 18.4 after restructuring): Relevance of objectives is assessed as substantial and that of design modest . The project substantially contributed to

strengthened Government of Uganda's capacity to develop a sound minerals sector based on private investments and improvements in selected artisanal and small scale mining areas . Efficiency is assessed as modest . Overall outcome rating is Moderately Satisfactory .

a. Outcome Rating : Moderately Satisfactory

7. Rationale for Risk to Development Outcome Rating:

The key risks to the sustainability of project investments include :

- **Insufficient budget releases to DGSM compared to the Petroleum Exploration and Production Department and low salaries make it difficult to retain trained staff.** This also jeopardizes the availability of funding for recurrent costs related to project investments, such as cost of maintaining the GMIS servers, computers and other equipment procured under the project, the renewal of software licenses, maintenance of the new buildings, and availability of basic office supplies .
- **Monitoring of compliance with mining and environmental regulations.** The current lack of funding for fuel and per diems, as reported by several DGSM staff, does not permit regional or headquartered Department staff to carry out quarterly social and environmental inspections of mines, as mandated. In addition, the future of the SEU is still uncertain. The mainstreaming has reportedly been put on hold until a decision is made about the Department's new institutional structure .

a. Risk to Development Outcome Rating : High

8. Assessment of Bank Performance:

a. Quality at entry:

Project design incorporated lessons from Bank experience in Africa and South America that included an integrated approach to sector reform with beneficiary participation in all aspects of the project cycle . The project design implicitly mirrored a novel value chain approach at appraisal for supporting extractive industries based on: (i) confidence-instilling mineral legislation and award of licenses; (ii) clear regulatory framework and adequate capacity for monitoring and enforcement; (iii) transparent and efficient collection of taxes and royalties; (iv) efficient management and allocation of fiscal revenues; and (v) sector contributing to sustainable socio-economic development (ICR, p.13).

The ICR (p.37) evaluates that PAD could have been better structured, more succinct, and would have benefited from a clearly articulated theory of change as well as key performance indicators that were directly related to the development objectives . The failure at appraisal to reach financing agreements with AfDB and NDF during project preparation resulted in a two-year delay in project implementation .

Quality-at-Entry Rating : Moderately Unsatisfactory

b. Quality of supervision:

Based on evidence presented by the ICR, supervision inputs and processes were not adequate up till mid-term review (2008). The ICR reports (p.37) that in pre-midterm the supervision team failed to address M&E concerns and formulate a monitorable procurement action plan, while being repeatedly encouraged by Management. Less optimistic progress ratings might have flagged the initially weak project performance more clearly and might have led to quicker adoption of alternative remedial approaches .

Following the Midterm Review, the supervision team instituted rigorous discipline, especially with regard to expenditure tracking and forecasting among PCU staff, conducted frequent supervision missions (the ICR's Basic Data Sheet reports performance ratings of 17 missions fielded between December 2003 and December 2012 (ICR pp. xi-xii). The Bank team monitored and guided implementation (though with unduly optimistic project performance ratings in the first years of implementation, as acknowledged by ICR, p .38) and facilitated peer support in order to build the PCU's contract management capacity . Some of the management challenges were mitigated by the collaboration and great flexibility among the three Development Partners (World Bank, AfDB and NDF). All these helped to-implement a significant portion of the envisaged scope of activities .

Quality of Supervision Rating :	Moderately Satisfactory
Overall Bank Performance Rating :	Moderately Satisfactory

9. Assessment of Borrower Performance:

a. Government Performance:

The Government of Uganda continues to consider the mining industry a high priority growth sector as evidenced by the 2010/11-2014/15 National Development Plan. The ICR critiques (p.39) that the actual release of funds in support of sector activities did not mirror the industry's purported strategic importance. As per ICR's Annex 1, the Borrower disbursed US\$3 million to the project as appraised. The Government's commitment of additional US\$0.6 million as agreed during AF, however, did not materialize. The Government also demonstrated a lack of commitment to carrying-out restructuring of DGSM and involving stakeholders in a review of the mining law and regulations. Also, there was a one year delay in project effectiveness, and another year to get the Additional Financing ratified by Parliament.

Government Performance Rating

Moderately Unsatisfactory

b. Implementing Agency Performance:

Project Coordination Unit (PCU) within the DGSM was an implementing agency. However, the significant delays in project implementation in part reflect the weakness of the PCU worsened by changes in and uneven quality of the PCU's leadership. Project management and coordination was handled by the Commissioner for Mines at DGSM, with support from a Deputy Project Coordinator, a Procurement Specialist and an Accountant. It was not until June 2006 that the PCU was led by a full time Project Coordinator who had been assigned from within the MEMD. The first Coordinator and Commissioner retired prematurely, then there was the unexpected death of the second Coordinator in September 2008, followed by a long adjustment period for the third Project Coordinator who had no prior experience with World Bank operations.

Despite initial implementation delays, the PCU worked hard for the project to produce results. SEU carried out its due diligence on environmental and social monitoring of mining operations. Mine operators confirmed to the ICR team that there were regular inspection visits from the SEU during project implementation.

Implementing Agency Performance Rating :

Moderately Satisfactory

Overall Borrower Performance Rating :

Moderately Satisfactory

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

a. M&E Design:

The original results framework lacked some baseline data and measurable targets, for example increased collection of mineral fee/royalty; and the percentage of sector taxes collected by decentralized public institutions/agencies (PAD Annex 1). There were also some errors, for example in baseline figures and targets of annual exploration/investment (ICR, p.23).

The original results framework was modified in 2008 "to better measure and evaluate project results" (Project Paper for Additional Financing). Several new PDO indicators were added to measure more accurately the project's impact on: (i) transparency through the following indicators: "zero unresolved complaints about the mining license allocation process" and "regular publication of mining revenues to be transferred to mining districts"; and (ii) small-scale mining, through indicators such as the number of new ASM licenses approved, and incomes of formalized ASM. The decentralization-related indicators were dropped during revision, i.e., monitoring the role of sub-national public institutions in the decentralized fiscal collection and provision of timely, reliable, and transparent administrative and extension services. Despite better realignment, the indicators increased to total of 12 PDO-related indicators and 9 output indicators, thus complicating project tracking activities. Also, the ICR reports that the project team added another six PDO indicators at the last minute right before the project closure date (Dec 2011) "for the sake of providing additional evidence of the project's performance" (p.18).

b. M&E Implementation:

Except for the first PDO indicator “Strengthening transparency and governance in mineral resources management: cadastral system of mineral rights”, none of the Outcome or Output indicators listed in the PAD was tracked until 2006. Overall, the indicators tracked during the earlier phases of project implementation differed substantially from those in Annex 1 of the PAD. The tracking of implementation and PDO progress became more meaningful after the revision of the PDO and results framework in conjunction with the approval of the Additional Financing in 2008.

c. M&E Utilization:

The revised M&E from 2008 was used more adequately to inform the management on the progress of the project in achieving its objectives.

M&E Quality Rating : Modest

11. Other Issues

a. Safeguards:

This was a Category “B” project that triggered three safeguards policies - OP4.01 Environmental Assessment, OP 4.12 Involuntary Resettlement, and OPN 11.03 Cultural Property.

Environmental Assessment and Management : Throughout project implementation, both environmental and social safeguard compliance were consistently rated satisfactory in supervision reports . Three safeguard instruments had been prepared and disclosed for safeguarding project activities during project implementation : a Sector Environmental and Social Assessment, a Resettlement Framework, and a Process Framework . Environmental safeguards compliance was monitored by an environmental specialist on the Bank’s supervision team, while social safeguards oversight was provided by a local Consultant . During the project’s lifetime, only one environmental safeguard concern (related to the health risk involved in the demolition of the asbestos roof) was noted during an inspection of the construction and rehabilitation works on the DGSM ’s premises in Entebbe . This was promptly remedied (protective gear was provided, and hazardous asbestos waste was transported and disposed). In order to ensure safeguard compliance under the Small Grants Program, as recommended by the World Bank ’s supervision team. The small grant applications included a brief description of potential environmental and social impacts and their management.

Involuntary Resettlement . No resettlement occurred under the project .

Cultural Property . The ICR does not specifically address this OP .

b. Fiduciary Compliance:

Procurement. The project ratings for procurement performance varied (p.19). There were procurement delays mainly attributed to the need to comply with different sets of procurement guidelines, i.e. those of IDA, AfDB and NDF and the time required to comply with the requirements of the MEMD’s Contracts Committee and the Solicitor General. Several supervision missions observed delays in payment . The civil works contract for the construction of DGSM offices had to be re-bid due irregular procurement. Internal delays and quality issues were discussed during supervision missions and adequately addressed by the Client .

Financial management. The results of the 2011 first Quarter FMR raised a number of concerns, including internal controls, the lack of a computerized system and record keeping. The accounting software Solomon ceased to function in 2008, and the PCU switched to manual financial management using Microsoft Excel spread sheets, which increased the risk of human error or tampering. The PCU expected to be included in the IFMIS rollout by the Government, which was delayed. Other financial management issues included the absence of consistent budget forecasting and ex-post budget analysis, resulting in budget line overruns and over-commitment of the project, insufficient internal controls and supervision . The ICR reports that they were largely resolved (p.19).

c. Unintended Impacts (positive or negative):

The small grants program and the ASM training motivated several associations to start Village Savings and Loan Associations (VSLAs) that could avail small loans in times of need, i.e., to pay for housing construction, school fees, family emergencies, burial expenses, and festive occasions. One VSLA group in Busia District, for example, saved about UGX 2.4 million in four months, from which they started to extend small loans to members .

d. Other:

12. Ratings :	ICR	IEG Review	Reason for Disagreement /Comments
Outcome :	Moderately Satisfactory	Moderately Satisfactory	
Risk to Development Outcome :	Significant	High	Insufficient availability of funding for DGSM for recurrent costs related to project investments as well as conducting social and environmental inspections of mines, as mandated .
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:

Lessons in the ICR are generic. A few lessons are adopted with some modifications from the ICR and Borrower's CR.

- **Addressing informal mining though legalization could help reverse environmental damage and improve livelihood of small scale farmers and their communities** . Under this project, the Small Grants Program demonstrated that it could make improvements in the livelihood of artisanal and small -scale mining communities.
- **Governance in mining sector development could be improved through computer data bases with easy public access to them** . For example, integrated data management and computerization of the mining cadastre.
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14. Assessment Recommended? ☐ Yes ☒ No

15. Comments on Quality of ICR:

The ICR is lengthy (41 pages); this may be due to a noticeably enormous effort to diligently follow through the revisions of numerous indicators in the project results framework . The analysis is thorough and insightful . Some confusing evidence was noticed with regard to the indicator of increased revenue from the newly issued ASM mining licenses; the supporting data on estimated lost revenues in 2011 were shown to increase (ICR's Results Framework, p.22). Lessons are evidence based, though generic .

a.Quality of ICR Rating : Satisfactory

