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**PROJECT PERFORMANCE ASSESSMENT REPORT**

**UGANDA**

**FIRST POVERTY REDUCTION SUPPORT CREDIT  
(CREDIT NO. 3510)**

**SECOND POVERTY REDUCTION SUPPORT CREDIT  
(CREDIT NO. 3696)**

**THIRD POVERTY REDUCTION SUPPORT CREDIT  
(GRANT NO. H0630)**

**FOURTH POVERTY REDUCTION SUPPORT CREDIT  
(GRANT NO. H1220-UG)**

**June 22, 2009**

*Country Evaluation and Regional Relations  
Independent Evaluation Group (World Bank)*

## Currency Equivalents (annual averages)

*Currency Unit = Uganda Shillings (UShs)*

2007	US\$1.00	UShs 1712.95
2008	US\$1.00	UShs 1679.16

## Abbreviations and Acronyms

CAS	Country Assistance Strategy
CFAA	Country Financial Accountability Assessment
CPAR	Country Procurement Assessment Report
DWD	Directorate of Water Department
GDP	Gross Domestic Product
GOU	Government of Uganda
HIPC	Heavily Indebted Poor Countries
HIV	Human Immunodeficiency Virus
ICR	Implementation Completion Report
ICRG	International Country Risk Guide
IDA	International Development Association
IEG	Independent Evaluation Group
IEGCR	Country Evaluation and Regional Relation
IEGWB	Independent Evaluation Group (World Bank)
IGG	Inspectorate General of Government
IMF	International Monetary Fund
MAAIF	Ministry of Agriculture, Animal Industries and Fisheries
M&E	Monitoring and Evaluation
MWLE	Ministry of Water, Land and Environment
MOFPED	Ministry of Finance, Planning and Economic Development
MPS	Ministry of Public Service
MTEF	Medium Term Expenditure Framework
MTTI	Ministry of Tourism, Trade and Industry
MLG	Ministry of Local Government
MWHC	Ministry of Works, Housing and Communication
NGO	Non-Governmental Organization
NWSC	National Water and Sewerage Corporation
OPM	Office of the Prime Minister
PAD	Project Appraisal Document
PEAP	Poverty Eradication Action Plan
PEFA	Public Expenditure and Financial Accountability
PPAR	Project Performance Assessment Report
PPAs	Participatory Poverty Assessments
PRGF	Poverty Reduction and Growth Facility
PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Paper
TFR	Total Fertility Rate
UDHS	Uganda Demographic and Health Survey
UPE	Universal Primary Education

## Fiscal Year

Government: January 1 – December 31

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The Independent Evaluation Group assesses the programs and activities of the World Bank for two purposes: first, to ensure the integrity of the Bank's self-evaluation process and to verify that the Bank's work is producing the expected results, and second, to help develop improved directions, policies, and procedures through the dissemination of lessons drawn from experience. As part of this work, IEGWB annually assesses about 25 percent of the Bank's lending operations through field work. In selecting operations for assessment, preference is given to those that are innovative, large, or complex; those that are relevant to upcoming studies or country evaluations; those for which Executive Directors or Bank management have requested assessments; and those that are likely to generate important lessons.

To prepare a Project Performance Assessment Report (PPAR), IEGWB staff examines project files and other documents, interview operational staff, visit the borrowing country to discuss the operation with the Government, and other in-country stakeholders, and interview Bank staff and other donor agency staff both at headquarters and in local offices as appropriate.

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**Bank Performance:** The extent to which services provided by the Bank ensured quality at entry of the operation and supported effective implementation through appropriate supervision (including ensuring adequate transition arrangements for regular operation of supported activities after loan/credit closing, toward the achievement of development outcomes. The rating has two dimensions: quality at entry and quality of supervision. *Possible ratings for Bank Performance:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

**Borrower Performance:** The extent to which the borrower (including the Government and implementing agency or agencies) ensured quality of preparation and implementation, and complied with covenants and agreements, toward the achievement of development outcomes. The rating has two dimensions: Government performance and implementing agency (ies) performance. *Possible ratings for Borrower Performance:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.



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## Principal Ratings

	ICR*	ES	PPAR
<b>Poverty Reduction Strategy Credit 1 (P050438)</b>			
Outcome	Satisfactory	Moderately Satisfactory	Moderately Satisfactory
Institutional Development Impact**	Modest	Modest	————
Risk to Development Outcome	————	————	Significant
Sustainability***	Likely	Non-evaluable	————
Bank Performance	Highly Satisfactory	Satisfactory	Moderately Satisfactory
Borrower Performance	Satisfactory	Satisfactory	Moderately Satisfactory
<b>Poverty Reduction Strategy Credit 2 (P073671)</b>			
Outcome	Satisfactory	Moderately Satisfactory	Moderately Satisfactory
Institutional Development Impact**	Modest	Modest	————
Risk to Development Outcome	————	————	Significant
Sustainability***	Likely	Non-evaluable	————
Bank Performance	Highly Satisfactory	Satisfactory	Moderately Satisfactory
Borrower Performance	Satisfactory	Satisfactory	Moderately Unsatisfactory
<b>Poverty Reduction Strategy Credit 3 (P074081)</b>			
Outcome	Satisfactory	Moderately Satisfactory	Moderately Unsatisfactory
Institutional Development Impact**	Modest	Modest	————
Risk to Development Outcome	————	————	Significant
Sustainability***	Likely	Non-evaluable	————
Bank Performance	Highly Satisfactory	Satisfactory	Moderately Unsatisfactory
Borrower Performance	Satisfactory	Satisfactory	Moderately Satisfactory
<b>Poverty Reduction Strategy Credit 4 (P074082)</b>			
Outcome	Satisfactory	Moderately Unsatisfactory	Moderately Unsatisfactory
Institutional Development Impact**	Substantial	Substantial	————
Risk to Development Outcome	————	————	Significant
Sustainability***	Likely	Likely	————
Bank Performance	Highly Satisfactory	Satisfactory	Satisfactory
Borrower Performance	Satisfactory	Satisfactory	Moderately Unsatisfactory

\* The Implementation Completion Report (ICR) is a self-evaluation by the responsible Bank department. The Evaluation Summary (ES) is an intermediate IEGWB product that seeks to independently verify the findings of the ICR.

\*\*As of July 1, 2006, Institutional Development Impact is assessed as part of the Outcome rating.

\*\*\*As of July 1, 2006, Sustainability has been replaced by Risk to Development Outcome. As the scales are different, the ratings are not directly comparable.

## Key Staff Responsible

<i>Project</i>	<i>Task Manager</i>	<i>Sector Manager</i>	<i>Country Director</i>
<b>Poverty Reduction Strategy Credit I</b>			
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<b>Poverty Reduction Strategy Credit II</b>			
Appraisal	Satu Kahkonen	Frederick Kilby	Judy O'Connor
Completion	Satu Kahkonen	Robert Blake	Judy O'Connor
<b>Poverty Reduction Strategy Credit III</b>			
Appraisal	Satu Kahkonen	Robert Blake	Judy O'Connor
Completion	Paud Murphy	Dzingai Mutumbuka	Judy O'Connor
<b>Poverty Reduction Strategy Credit IV</b>			
Appraisal	Paud Murphy	Kathie L. Krumm	Judy O'Connor
Completion	Paud Murphy	Kathie L. Krumm	Judy O'Connor

## Preface

This is a Project Performance Assessment Report (PPAR) for four operations in Uganda: the First Poverty Reduction Support Credit (PRSC1, FY 2001), the Second Poverty Reduction Support Credit (PRSC2, FY 2003), the Third Poverty Reduction Support Credit (PRSC3, FY 2004), and the Fourth Poverty Reduction Support Operation (PRSC4, FY 2005).

The four were chosen for a PPAR in support of the Uganda Country Assistance Evaluation (CAE).

The First Poverty Reduction Support Credit (PRSC1) was for SDR 116.2 million (\$150 million equivalent) from IDA. The credit was approved in May 31, 2001, became effective in November 29, 2001, and closed in March 31, 2002.

The Second Poverty Reduction Support Credit (PRSC2) was for SDR 120.2 million (\$150 million equivalent) from IDA. The credit was approved in July 23, 2002, became effective in March 12, 2003, and closed in June 30, 2003.

The Third Poverty Reduction Support Operation (PRSC3) was a grant for SDR 106 million (\$150 million equivalent). The grant was approved in September 9, 2003, became effective in February 11, 2004, and closed in September 30, 2004.

The Fourth Poverty Reduction Support Operation (PRSC4) was a grant for SDR 102.6 million (\$150 million equivalent). The grant was approved in September 2, 2004, became effective in February 28, 2005, and closed on September 30, 2005.

This PPAR is based on a review of relevant World Bank documents, including the President's Report, Program Documents, Credit and Grant Agreements, Implementation Completion Reports (ICR), other project documents, Government reports, and reports from other agencies. An IEG team, led by James Sackey, visited Uganda in January and February 2008, and gathered information for the Country Assistance Evaluation. Mission members interviewed Government officials, representatives of the private sector, academia, think-tanks, Non-Governmental Organizations (NGOs), other donor agencies, and Bank staff at headquarters and in the Uganda Resident Mission. When relevant, that information has been incorporated in the report. The cooperation and assistance of the resident mission, government officials, management and staff of implementing agencies and other parties concerned are gratefully acknowledged.

Following standard IEG procedures, copies of the draft PPAR were sent to the Region and Government of Uganda for comments. No comments were received.

This report was prepared by Jorge Garcia-Garcia and James Sackey (consultants, IEGCR). Vikki Taaka provided research and administrative support.



## Summary

1. After about 25 years of economic turmoil and conflict which ended in 1986, Uganda adopted policies that brought about economic stability and growth. Fiscal discipline was a central element of the program, as well as an increased reliance on markets and the opening of the economy. Since the early 1990s per capita gross domestic product (GDP) grew at about 3.3 percent per year and inflation fell from 40 percent in 1991 to about 3 percent by 2000. The rapid growth reduced the poverty headcount from 56 percent in 1992/93 to 38 percent in 2002/03. Despite the gains attained, in the late 1990s it became evident that Uganda's large external debt constrained its economic prospects because it could not sustain high levels of debt repayment and at the same time achieve higher rates of growth.
2. To deal with this issue, in 1997 the Government embarked on a deeper set of reforms through the Poverty Eradication Action Plan (PEAP). The PEAP sought to transform the economy and to reduce the incidence of poverty, and consisted of four pillars: (a) Framework for Economic Growth and Transformation (Pillar I); (b) Ensuring Good Governance and Security (Pillar II); (c) Directly Increasing the Ability of the Poor to Raise their Incomes (Pillar III); and (d) Directly Increasing the Quality of Life of the Poor (Pillar IV). The PEAP sought objectives fully consistent with the Poverty Reduction Strategy Paper (PRSP) process and opened the door for Uganda to participate in it.
3. This PPAR reviews four operations for a total of \$600 million that supported the PEAP during 2001-2005. The Poverty Reduction Support Credits (PRSCs), comprising two development policy credits and two development policy grants, sought as their ultimate objectives to reduce poverty, measured by the headcount index of poverty, and to increase the public's satisfaction with public services. The PRSCs aimed to achieve these objectives by helping to: (a) promote an efficient and equitable use of public resources; (b) improve service delivery through cross-cutting reforms; (c) promote an enabling environment for rural development; and (d) improve delivery of basic services.

### Principal Findings

4. The principal findings of the review are:
  - PRSCs constitute an effective mechanism to support the Government's budget, increase the Government's capacity to spend, and give it more flexibility to allocate resources to priority sectors and activities.
  - Efficacy in development results varied by area of support. Substantial results were achieved in education, health, and water and sanitation, where coverage expanded and the quality of service improved. Literacy rates in urban and rural areas rose; child and infant mortality fell but maternal mortality remained unchanged; water and sanitation services expanded their coverage, but more so in urban areas, where 13 percent of the people lives.

- More could have been done on improving efficiency in the use of public resources, improving service delivery, and promoting rural development. It is unlikely that the efficiency of public expenditures improved overall given the trends in Government employment and the allocation of expenditure. Government employment, after declining from 320,000 to 160,000 between 1990 and 1997, increased to about 220,000 by 2003 in the absence of a functional review. Public domestic expenditure expanded from 14.9 percent of GDP in 2000/01 to 17.6 percent of GDP in 2003/04, and the expansion of Government investment, 0.2 percent of GDP, was not commensurate with the foreign assistance received during the period. Actual expenditures by sectors came close to matching the allocations for PRSC1-3 but differed from the allocations, sometimes by substantial margins, for PRSC4. Also, expenditures in defense and public administration exceeded their budget allocations, while expenditures in health, agriculture, roads, and social services fell below their budget allocations.
- Regarding public service delivery, there is little evidence to suggest that service delivery improved in areas of public administration other than health, education, and water and sanitation in urban areas. Regarding rural development, the PRSCs had few interventions in agriculture, and the interventions could not alter rural welfare directly during the period they were active. Farmers' income declined and rural welfare deteriorated during the period: the proportion of rural people under the poverty line increased from 39 percent in 1999/2000 to 49 percent in 2002/03. The PRSCs might have affected agriculture indirectly, and negatively, because the assistance financed a larger level of expenditure that tended to reduce the price of traded goods (agriculture among them) relative to non-traded. Finally, it is unlikely that the PRSCs improved governance and security since neither corruption, nor the quality of bureaucracy, nor law and order improved during the period under review.
- The policy matrices of the PRSCs tended to be too large and ambitious in scope. Their large size made it difficult to separate what the Bank could support with success from what it could not. Because such separation was not carried out, the Bank's program suffered from the ambiguities. A concise policy matrix compels to make evident the connection (or lack thereof) between actions and results, and imposes discipline in thinking about development outcomes and the specific actions that could generate them.
- With their ambitious objectives, the PRSCs strained the Government's capacity and unveiled the limited capacity of its organizations to deliver results. The Ministry of Finance, Planning and Economic Development could not force the program on the agencies executing it and ensure their ownership of it. Shifting program coordination to the Office of the Prime Minister improved the preparation of PRSC4, and increased the interaction between different Government ministries and their involvement in reform. Thus, the selection of an apex agency with the proper authority is a necessary aspect for preparing and implementing PRSCs.

## Assessment and Lessons

5. The review concludes that the PRSCs had substantial relevance and modest efficacy. The credits and grants sought to solve important problems, making the relevance of their objectives *substantial*. The design fell short of what the programs intended to achieve: the logical chain between actions and results was not specified and several of the actions selected for support could not lead to the objectives sought. The relevance of design was *modest*. This review rates overall relevance as *substantial* for all PRSCs but PRSC3 whose relevance was *modest* because of its weak design. Overall efficacy was *modest*, except for PRSC4 which was *negligible*, because the expected outcomes did not materialize even though most prior-actions and triggers were met. As a result, the review rates the outcome for PRSC1-2 *moderately satisfactory* and the outcome for PRSC3-4 as *moderately unsatisfactory*.

6. The following lessons are derived from the review:

- The PRSCs were effective in providing timely and predictable resources for the Government's budget but less so in producing development results. To produce development results, the Bank needs to pay attention to the design of the credit, the quality of prior actions, and their relation to the expected outcomes.
- PRSCs are unlikely to be as effective as investment and sector operations for solving specific sector issues. The PRSCs tended to cover macroeconomic and sector issues in a broad manner, making it difficult to cultivate ownership in the agencies responsible for implementing the program. The assistance is more likely to succeed when the Bank targets specific problems and works their solution with the agencies in charge of executing the program.
- A program of budget support tends to create a higher permanent level of Government expenditure that may not be sustainable in the medium term. Predictable budget support may create inflexibilities in expenditure, forcing donors to continue their support beyond what is needed and desirable. Uganda exemplifies this situation as the PRSC series grew over time.

Vinod Thomas  
Director-General  
Evaluation



# 1. Background and Country Context

## Country Context

1.1 After about 25 years of economic turmoil and conflict ending in 1986, Uganda adopted policies directed at rehabilitation and stabilization that brought about economic stability and growth. Fiscal discipline was a central element of the program to support more reliance on markets and the opening of the economy. Since the early 1990s per capita GDP has grown at around 3.3 percent per year and inflation fell from 40 percent in 1991 to about 3 percent by 2000. The gains were insufficient to cut Uganda's external debt sharply. By 1997 external debt had reached 65 percent of GDP and the net present value of its service was about 2.5 times the value of Uganda's exports in that year. International Monetary Fund (IMF) and World Bank analyses concluded that Uganda could not sustain high levels of debt repayment and at the same time achieve higher rates of growth. To deal with this issue, the Government decided to embark on a deeper transformation of the Ugandan economy.

1.2 During 1997 the Government prepared a Poverty Eradication Action Plan (PEAP) to transform the economy and to reduce the incidence of poverty. The PEAP was a home-grown medium term development plan to guide Government policy, and was further revised in 2000 and 2004. In addition to the PEAP, the Government participated in the Heavily Indebted Poor Country (HIPC) initiative, which sought to provide debt-relief to countries meeting defined conditions. In 1998 Uganda became the first country to reach the completion point of a debt reduction package and qualified for an enhanced relief in 2000. These developments opened the door for Uganda to participate in the Poverty Reduction Strategy Paper (PRSP) process.

1.3 The PEAP sought objectives fully consistent with the PRSP process. Its overarching goal was to reduce the incidence of poverty from 44 percent in 1997 to 10 percent or less in 2017. Towards this end, the PEAP aimed to achieve universal access to primary education, primary health care, safe drinking water, political freedom and human rights, and to establish an effective disaster relief program. The PEAP consisted of four pillars: (a) framework for economic growth and transformation (Pillar I); (b) ensuring good governance and security (Pillar II); (c) directly increasing the ability of the poor to raise their incomes (Pillar III); and (d) directly increasing the quality of life of the poor (Pillar IV). A summary of the revised PEAP became the basis for the Uganda PRSP presented to the Boards of the World Bank and IMF in May 2000. Later on, Uganda prepared a PRSP progress report that was presented in 2001 to the Bank's Board jointly with the first Poverty Reduction Strategy Credit (PRSC) that this PPAR reviews.

## The Poverty Reduction Support Credit (PRSC)

1.4 The PRSCs became a principal tool for the World Bank Group's country assistance strategy to support Uganda's economic transformation and its poverty reduction effort. They supplemented investment operations and aimed at replacing sector investment lending in Uganda and facilitating sector-wide as well as macroeconomic policy reforms. Unlike investment lending, the PRSCs were one-tranche operations,

disbursed as annual budget support into the GOU's national budget and became the preferred mode of borrowing by the Government.

1.5 The first three PRSCs were designed as an integrated program, with tentative commitments for PRSC-2 and PRSC-3, foreshadowed in the President's Report for PRSC1. Similarly, PRSC-4 was originally conceived as the first of a second set of three one-year PRSCs that would support a new Ugandan PEAP as part of the "rolling design" of these operations. Delays in the completion of the new PEAP, however, led to PRSC-4 to be presented as a stand-alone operation. The credits and grants provided by the PRSCs became the principal instruments to support the Government's efforts to improve public service delivery and to initiate broader policy reform (including macroeconomic adjustments). By early 2009, the Board had approved seven PRSCs for Uganda for about \$1.1 billion. This review evaluates the performance of the first four operations whose value is \$600 million.

## 2. First Poverty Reduction Support Credit

2.1 The first series of PRSCs (PRSC1-3) were developed in the context of the Bank's Country Assistance Strategy (CAS) for FY01-03, which was *de-facto* extended to FY05. The CAS supported Uganda's economic transformation and poverty reduction strategy as articulated in the Government's 2000 PEAP. The first three PRSCs emphasized the human development dimensions of poverty by focusing on improved access to education, health, and water and sanitation. Relatively less attention was paid to issues of macroeconomic stability; improved governance and some aspects of agriculture, all of which were needed to achieve rapid economic growth for sustained poverty reduction.

### Objectives and Components

2.2 **Objectives.** The PRSC1 supported pillars I, II and IV of the Government's PEAP/PRSP, with emphasis on reforms in health, education, and water and sanitation (that is, Pillar IV- to raise quality of life of the poor). In a lesser way, it supported actions to improve governance and security (Pillar II) and to establish a framework conducive to economic growth and transformation (Pillar I). Table 1 summarizes the objectives of the credit as they relate to the PEAP pillars. It was expected that under the PRSC1, Uganda's reform program would lead to improved service delivery through: (a) efficient and equitable use of public resources, (b) improved governance, and (c) improved access to and quality of education, health care, and water and sanitation services. The PRSC1 aligned its objectives with those of the PEAP whose strategy was relevant for Uganda's problems.

**Table 1. PEAP Pillars and PRSC1's Objectives and Sub-Objectives**

PEAP Pillars	PRSC1 Objectives
I. Framework for Economic Growth and Transformation	A. Efficient and Equitable Use of Public Resources
II. Ensuring Good Governance and Security	B. Improve Service Delivery Through Cross-Cutting Reforms <ul style="list-style-type: none"> <li>• Improve Management Systems and Practices in the Public Sector</li> <li>• Increase Transparency, Participation and Reduce Corruption</li> </ul>
III. Directly Increasing the Ability of the Poor to Raise their Incomes	None
IV. Directly Increasing the Quality of Life	C. Improve Delivery of Basic Services <ul style="list-style-type: none"> <li>• Improve Quality of Education</li> <li>• Improve Quality of Health Care</li> <li>• Improve Access and Equity in Water and Sanitation</li> </ul>

Source: World Bank (2001), Schedule 2

2.3 **Components.** The PRSC1 consisted of 12 core actions (referred to as prior-actions) carried out by the Government prior to IDA management's presentation of the program to the Board. The prior-actions reflected the three objectives outlined in the program, supported by a series of expected results (Table 2). The credit intervened in 12 of the 21 action areas considered relevant to the achievement of the PEAP objectives.

Table 2 indicates if the objectives were met and rates efficacy in the achievement of the objective. The section on achievement of objectives discusses achievement and efficacy.

**Table 2. PRSC1 Conditions Associated with Objectives and Sub-Objectives**

Objectives and Action Areas	Condition (prior action)	Met?	Efficacy
<b>PRSC Objective A. Efficient and Equitable Use of Public Resources</b>		Partially	Modest
Allocations and Actual Expenditure	In the annual public expenditure review, GOU agreed with IDA on MTEF for 2000/01- 2002/03 and executed the 2000/01 budget for the first two quarters consistent with the agreed allocations.		
Results-orientation	Roads, education, health and water/sanitation sectors have introduced output targets and mechanisms for monitoring of results in 2000/01 - 2002/03 Budget Framework Paper (BFP).		
<b>PRSC Objective B. Improve Service Delivery through Cross-Cutting Reforms</b>		No	Negligible
• B1. Improve Management Systems and Practices in the Public Sector		No	Negligible
Public Service Management	Ministry of Public Service (MOPS) and Ministry of Finance, Planning and Economic Development (MOPPED) agreed on objectives and principles of a pay reform strategy consistent with MTEF and improved service delivery.		
Public Procurement	Minister of Finance issued a new procurement regulation for ministries, departments, and agencies.		
Financial Management	MOPPED established co-ordination mechanism for guiding and monitoring reform programs in financial management		
• B2. Increase Transparency, Participation and Reduce Corruption		No	Negligible
Detection, Investigation and Prosecution of Corruption Cases.	Minister of Ethics and Integrity "gazetted" and tabled Leadership Code Bill 2000 and Inspectorate of Government 2000 Bill in Parliament.		
<b>PRSC Objective C. Improve Delivery of Basic Services</b>		Yes	Substantial
• C1. Improve Quality of Education		Yes	Substantial
Joint Government-Donor Education Sector Review	Satisfactory implementation of undertakings agreed in the education sector review of April 2000 was confirmed by October 2000 review.		
Primary Education	Ministry of Public Services (MOPS), Ministry of Education and Sports (MOES) and Ministry of Local Government (MOLG) launched a national recruitment campaign for 15,000 new teachers.		
• C2. Improve Quality of Health Care		Partially	Modest
Joint Government-Donor Health Sector Review	Satisfactory implementation of undertakings agreed in the joint health sector review of April 2000 was confirmed by October 2000 review.		
Procurement Capacity and Policy	MOH made interim procurement arrangements in accordance with procurement regulations.		
• C3. Improve Access and Equity in Water and Sanitation		Yes	High
Access to Rural Water Supply and Sanitation (WSS)	At least half of districts set up a fully staffed district water and sanitation teams (DWST) with support from Directorate of Water Development (DWD).		
Access to WSS in Urban Areas	MOPPED settled Ush. 5 billion debt owed by GOU agencies to NWSC.		
<b>Overall Efficacy Rating</b>		<b>Modest</b>	

Source: Columns 1 and 2 derived from World Bank (2001), Schedule 2; columns 3 and 4 derived from text in section on achievement of objectives

## Relevance of Objectives and Design

2.4 **Objectives.** The reform program sought to resolve problems that prevented Ugandans from improving their standard of living and the Government from using its resources better. Low standards of living arose, among other reasons, from the low human capital of the population, a consequence of poor health and low educational services. Illiteracy rates averaged about 40 percent of the population aged 15 and older, and the lack of teachers, schools and books for the growing student population contributed to it. High mortality rates exemplify the poor conditions in health and health services; according to the Demographic and Health Survey (DHS) in 2000/2001 for every 1,000 live births 88 children died during their first year of life, 152 died during their first five years, and one mother died for every 198 live births.

2.5 Also, there was waste of resources within Government programs, arising from three main areas. First, the budget allocated insufficient resources to support activities with the highest return (such as education). Second, the agencies managing these resources also produced sub-standard results because of poor management systems and practices. Third, corruption affected the execution of public expenditure programs and by raising the costs of services constrained the access of the poor to public services (World Bank 2001, pp. 5, 9).<sup>1</sup> By helping the Government to deal with these problems, the PRSC1's objectives had *substantial* relevance.

2.6 **Design.** PRSC1 established prior-actions and triggers that consisted mainly of procedural outputs such as the need to approve and publish pay strategy and to allocate budget for selected sectors. It also specified qualitative outcomes associated with service delivery. The few quantifiable outcome indicators were intermediate outputs. Overall, neither the PRSC1 documentation nor those of the follow-up programs presented any explicit results chain connecting triggers and prior actions to outcomes. Because procedural conditions usually lacked explicit link to outcomes, their relevance for the program is questionable. Procedural conditions may be important and necessary for directing steps for achieving certain policy goals, but they must be associated with results. The design framework therefore requires establishing explicitly the causal chain of assistance-to-outcome so as to facilitate the evaluation of impact.

2.7 Because of the design weaknesses, this review rates the relevance of design as *modest*. The overall relevance of objectives and design is deemed *substantial*.

## Achievement of Objectives (Efficacy)

2.8 This section examines the potential outcomes associated with the three objectives established in Table 1 and reviews the implementation of PRSC1 with respect to the prior-actions and the activities of the program associated with the triggers.

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<sup>1</sup> Corruption also had an adverse impact on firms' investment and growth. According to the PR a "recent survey of Ugandan firms indicates that firms pay significant bribes the adverse impact of bribery on firms' investment and growth is more than three times as high as that of business taxation" (World Bank 2001, p. 9).

**2.9 Efficient and Equitable Use of Public Resources.** The Government carried out the prior actions specified in the credit agreement (see Table 2). It aligned public expenditures with PEAP priorities through the expenditure review and executed the budget in the first two quarters in accordance with the agreed allocations. It also incorporated results orientation into the budget by introducing output targets and the monitoring of results for roads, education, health, and water and sanitation in the 2000/01-2002/03 budget framework paper (BFP). But these actions did not serve a useful purpose because neither PRSC1 nor subsequent PRSCs used these results to monitor efficiency and equity concerns. Also, the PRSC1 did not define measurable short-term or medium-term results attributable to the prior actions carried out. Moreover, actual Government expenditures fell short of the budget allocations in sectors that could have helped raise productivity (e.g., 90-93 percent in health, education, agriculture) and exceeded the allocations in sectors where productivity gains were unlikely (e.g., 114 percent in public administration).

**2.10** The review concludes that while the achievement of the sub-objectives was *substantial*, it is not clear that a more efficient and equitable use of public resources occurred. First, budget monitoring and evaluation at the central Government level remained weak and were hardly present at the local level. Second, public expenditure discipline did not improve. The 2007 Public Expenditure Review (PER) noted that “the public administration ‘sector’ has been overspending its budget since the MTEF began in 1997/98”,<sup>2</sup> which included the period covered by PRSC1. Overall, the efficacy in achieving the objective was *modest*.

**2.11 Improve Service Delivery through Cross-cutting Reforms.** The prior actions related to this objective consisted of a number of procedures that were largely satisfied. With respect to the objective of improving management systems and practices in the public sector: (a) MOFPED and the Ministry of Public Service (MPS) agreed on the objectives and principles of a pay strategy consistent with both the MTEF and improved service delivery, and (b) MOFPED established a coordinating mechanism for guiding and monitoring reform programs in financial management. Despite the prior actions taken, the pace of public service reform envisioned in the program was not realized during PRSC1; the strategy for public service reform was “stalled at the conceptual level, with no action despite the fact that reform needs had been clearly analyzed in the Public Administration Study” (World Bank 2005c, p. 19). Neither PRSC1 nor subsequent PRSCs defined results normally associated with this objective, such as financial and budget management, expenditure control, and efficiency of public expenditure. Performance on these areas provides indirect evidence that the prior actions taken in PRSC1 and the triggers for PRSC2 failed to produce any significant result. For example, the Government could not control expenditures on public administration (including political administration and transfer grants to districts), suggesting that public service pay was not consistent with a pay strategy linked to performance. A shortcoming of this and subsequent PRSCs was their lack of defined and measurable short-term or medium-term outcomes which could be attributed to the prior actions carried out.

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<sup>2</sup> World Bank 2007, Vol. 1, p. 8

2.12 Regarding public financial management the evidence on achievements is contradictory. An IMF report in 2003 on fiscal transparency noted that since 1999 Uganda had made significant progress in enhancing transparency practices in the fiscal area. The report pointed out that some new issues had emerged since then, undermining the gains made; they were: (a) extensive use of supplementary appropriations that undermine the budget process; (b) difficulty of assessing the accumulated stock of domestic arrears; and (c) central Government contingent liabilities not fully reported.<sup>3</sup> In procurement, MOFPED issued new procurement regulations for ministries, departments and agencies. Although the technical aspects of procurement advanced, vested interests and potential corruption at local level hinder the procurement system, preventing improvements in governance. In financial management, PRSC1 helped strengthen the legal and regulatory framework, and the systems of accounting for and auditing public expenditure. As in procurement, the technical advances moved faster than the practice and the enforcement; the practice stalled because the organizations responsible for financial management and oversight need to improve their performance.

2.13 With respect to increasing transparency and participation and to reducing corruption, the established prior-actions were met. The prior action consisted of submitting to Parliament a bill on leadership code and establishing the post of Inspector General of Government (IGG). But PRSC1 neither intervened nor envisioned interventions in the other three areas supporting this objective: transparency, civil society participation, and legal and judicial reform. This review concludes that efficacy is high at the procedural level, but does not ensure that corruption would fall. For example, in 2003, about two years after PRSC1, the IGG found large scale corruption and embezzlement as the top concern in its 2003 National Integrity Survey. In its score on the corruption perception index Transparency International rated Uganda with 1.9 in 2001, 2.1 in 2002 and 2.2 in 2003, suggesting that corruption was rampant and that the change observed is not significant to conclude that it fell during these years.<sup>4</sup> Information from the International Country Risk Guide (ICRG) indicates that corruption was widespread and remained unchanged, and that bureaucratic quality was low and unchanged. Overall, the efficacy in achieving the objective was *negligible*.

2.14 **Improve Delivery of Basic Services.** To achieve this objective the Government was to carry out the actions agreed in the education and health sector reviews of April and October 2000, set up fully staffed district water and sanitation teams (DWST) in at least half of the districts, and make procurement arrangements for the Ministry of Health in accordance with procurement regulations. PRSC1 also set triggers for PRSC2 in education, health and water and sanitation aimed at supporting the objectives sought by the assistance.

2.15 With respect to improved quality of education, the Government carried out the undertakings agreed to in the education sector review. The actions covered procedural aspects, budgetary allocations, educational inputs, and equity of access. On procedural

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<sup>3</sup> Ibid., p. 7

<sup>4</sup> WBI finds some positive trend in the control of corruption between 2000 and 2003 (it has no data for 2001) but notes that the change is insignificant statistically, which means that the trend does not imply less corruption. The information can be found in [http://info.worldbank.org/governance/wgi/sc\\_chart.asp](http://info.worldbank.org/governance/wgi/sc_chart.asp)

aspects IDA and the Government held joint sector reviews at six-month intervals, the Ministry of Public Service agreed to ensure access of all appointed teachers to the payroll within one month of notification, and the Ministry of Education and Sports completed its restructuring and recruitment of personnel.

2.16 In terms of *budget allocation*, the IMF notes that the Government spent in education 24.9 percent of its current and total domestic expenditure in its budget year 2000/01, which comes close to the 24.1 percent quoted in the 2003 PER and the Implementation Completion Report (ICR) for PRSC1-3, and to the 26.8 percent for budget allocations reported in by the Government for that year.<sup>5</sup> The evidence from these sources does not support the claim of the President's Report of the PRSC1 that semi-annual education sector reviews confirmed that the Government maintained budget allocation and releases for the education sector at a minimum of 31 percent of recurrent discretionary expenditure, of which at least 65 percent went to primary education. The review considers this shortfall may have led to a better use of public resources because there is evidence that expenditure in education has inefficiencies.<sup>6</sup> With respect to *inputs for (quality of) education*,<sup>7</sup> the program sought to increase the number of teachers, textbooks and classrooms per student enrolled at the primary level. Two of the four target indicators were met; one was not met and the other was not reported (see Table 12).<sup>8</sup> The Government also launched a program to recruit 15,000 new teachers. The review concludes that efficacy in achieving the objective is *substantial*.

2.17 To *improve the quality of health care*, the Government met the prior actions by fulfilling the requirement for an interim procurement arrangement in accordance with procurement regulations, and carried out the undertakings agreed to in the health sector review of 2000. Most of the undertakings consisted of procedures and steps needed to improve the quality of health care: initiating the training of 1,300 nursing assistants, preparing and submitting procurement plan in the Ministry of Health to establish its procurement capacity, establishing a contract committee and procurement unit, completing and disseminating the guidelines to deliver a minimum health package at the district level, completing the mapping of health infrastructure, and completing study on district drug management. Last, the monitoring indicators in Schedule 3 of the President's Report specify that 2,500 Expanded Program for Immunization (EPI) outreach sites were made operational and that 1,300 nurse assistants were trained. This review concludes that efficacy in achieving the objective was *modest*

2.18 Finally, with respect to the undertaking *to improve access and equity in water and sanitation*, the Government met the prior actions requiring that (a) the Ministry of Finance (MOFPED) settle the Ugandan shillings (Ush.) 5 billion debt that Government agencies owed to the National Water and Sewerage Corporation (NWSC); and (b) at least

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<sup>5</sup> IMF 2005, Table 18; World Bank, 2003b, Table 2.6; World Bank 2005c, p. 74; and Ministry of Finance of Uganda 2003, Table 1.5. Of the reports, only the IMF's separates current and investment expenditures.

<sup>6</sup> Winkler and Sondergaard (2008), p. 5

<sup>7</sup> Education experts associate quality with the amount of inputs available to teach and study. This review follows their practice in the sense that if an input moves in the desired direction there is a presumption that quality has improved.

<sup>8</sup> According to World Bank 2002, p. 117, the Government introduced a new curriculum, invalidating all existing textbooks. This warranted an adjustment in the targets. If the information is available, this review uses Government sources to determine if targets were met.

half of rural districts set up a fully staffed district water and sanitation teams (DWST). The conditions sought to expand the access and equity to water supply and sanitation in rural and urban areas, objective which was achieved, often exceeding targets (See Table 13). This review concludes that efficacy in achieving the objective was *substantial*.

2.19 Overall, efficacy in achieving the objective of improving delivery of basic service was *substantial*.

## Ratings

2.20 **Outcome.** Overall, the relevance of the objectives under PRSC1 is judged substantial. With respect to efficacy, the actions carried out under PRSC1 helped to increase access to education and water supply and sanitation services. The evidence on budget allocations and executions indicates that execution fell below the allocations for sectors that could have helped raise productivity (e.g., education, health, agriculture) and exceeded the allocation for those that were less likely to increase productivity (e.g., public administration). Also the expected impacts of cross-cutting reforms did not materialize as in some cases the reforms were not carried out. On the basis of the assessment of relevance and efficacy, and the PRSC's failure to monitor likely outcome of the programs initiated under the prior actions and triggers, this review rates the Bank's contribution to the outcome of the program as *moderately satisfactory*.

2.21 **Risk to Development Outcome.** The Government took actions to advance its objectives in education and water and sanitation, two sectors it considers essential to reduce poverty. It made serious efforts to expand educational opportunities for children through the universal primary education program and was committed to continue that effort and sought improvements in its quality. The central and local Governments are committed to expand access to water and sanitation. Expanding access to education and to water and sanitation required ensuring resources for them, which likely happened. The Government has taken a prudent approach to public finance that is at the heart of Uganda's past success and current economic program.<sup>9</sup> Such approach is likely to continue as the Government's economic strategy consists of measured increases in domestic revenue and continued expenditure control, suggesting that the Government would have the resources to support programs in education and water and sanitation.<sup>10</sup> The question remains as to whether that support would lead to better quality of education and better health outcomes. Nevertheless, the evidence suggests that the risks to development outcomes for education and water and sanitation are likely to be moderate.

2.22 On the other hand, the PRSC1 advanced little in raising the efficiency in the use of public resources. Vested interests and competing claims for less productive uses (e.g., the Public Administration budget) hampered the Government's range of action. Some groups see a threat to their interests in the drive to use public resources better, as well as in the attempts to reduce corruption and improve management in the public sector under PRSC1. These groups can also collude with the sectors that benefit from budget

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<sup>9</sup> International Monetary Fund, 2008, p. 10

<sup>10</sup> Ibid.

allocation (education, health, sanitation) to advance their interests, thereby putting in jeopardy the gains achieved. Moreover, the actions supported by the PRSC1 and those envisioned for subsequent ones suggest that the scope for improving transparency and reducing corruption remained limited. Vested interests and ineffective measures can pose a significant risk to what could be achieved with the actions taken. Overall, the risk to development outcome is *significant*.

**2.23 Monitoring and Evaluation (M&E): Design.** The PRSC1 established its objectives and outlined the program to be supported by the two follow-up credits. For PRSC1, the program defined two indicators for outcomes (reduce headcount index of poverty, increased satisfaction with public services) but did not specify baseline and target values for them nor explained how their achievement would lead to improved quality of service (e.g. learning outcomes). To monitor and verify results associated with the program, annual surveys of households and of service delivery, as well as periodic participatory poverty assessments were to be carried out. In general, the design of the M&E for PRSC1 failed to make clear the causal chain of results from intervention to outcomes and did not produce the necessary indicators to measure better the performance of the program. For these reasons, the review rates the design of M&E as *modest*.

**2.24 M&E: Implementation and Utilization.** PRSC1 established a low standard for the quality of indicators that could and should have been gathered to evaluate results, and subsequent PRSCs missed the opportunity to improve on them. In addition, fewer than the specified indicators were collected. It is clear that the proliferation of executing agencies and the short-lived nature of the PRSC made it difficult to coordinate M&E activities since no single agency (except perhaps the Ministry of Finance) had a vested interest in the credit. The Ministry of Finance, on the other hand, is not equipped to carry out this function. This review rates the quality of M&E for implementation as *modest*. With respect to utilization, given the structure of PRSCs and its short duration, the findings of M&E system usually do not affect the program under implementation. Thus, both implementation and utilization of the M&E system was *modest* and the overall system is rated *modest*.

**2.25 Bank Performance.** Bank performance is judged largely on ensuring quality at entry and relevant follow-up dialogue with the implementing agencies. The Bank support was based on the PEAP, which ensured national ownership of the program's objectives and the actions initiated by the credit. While the areas of focus for Bank assistance in PRSC1 were appropriate and duly implemented by Government as prior actions (and triggers for follow-up PRSCs), the program design did not ensure that the expected outcomes would be achieved. First, the PRSC1 did not adequately spell out the framework for the results chain. Second, the objectives lacked clear and measurable results indicators, even in programs like education, health, and water and sanitation where quantitative indicators existed. Third, most prior actions consisted of procedural activities that did not guarantee achievement of results. On this basis this review rates Bank performance *moderately satisfactory*.

**2.26 Borrower Performance.** The reform program was largely based on the Government-owned PEAP which was prepared through extensive consultations, including participatory poverty assessments, and extensive use of household surveys and

census data, all of which permitted in depth analysis of sector problems. The donor community considered the PEAP as a good strategy to reduce poverty that contained all the elements considered essential for such strategy: institutional, environmental, economic and social factors, civic participation, and community development. The program's ambitious objectives tested the Government's ability to deliver results. The Ministry of Finance, Planning and Economic Development coordinated the operation. It performed well in procedural terms but it could not ensure ownership among all the agencies executing the program. In general, agencies charged with preparing and enacting strategies, laws and action plans did so, but corruption and weak capacity of Government staff hampered change in procurement and financial accountability. Overall, Borrower performance is rated as *moderately satisfactory*.



### 3. Second Poverty Reduction Support Credit

#### Objectives and Components

3.1 The Second Poverty Reduction Support Credit (PRSC2) continued the support to the PEAP that started with PRSC1. At that stage, the three series PRSC was expanded to include a fourth operation (PRSC4) in an effort to deepen the reform process.

3.2 **Objectives.** The objectives established under PRSC2 built upon those defined in PRSC1. The PRSC2 supported the implementation of all four pillars of Uganda's poverty reduction strategy. Unlike PRSC1, it included the third pillar of the PEAP (that is, increasing the ability of the poor to raise their incomes) by supporting an enabling environment for rural development. Table 3 shows the objectives of the credit and their relationship to the pillars of the PEAP. The PRSC2 expected that Uganda's reform program would improve basic public service delivery, and that the outcome would be a reduction of poverty, measured by a lower headcount index, and increased satisfaction with public services.

**Table 3. PEAP Pillars and PRSC2's Objectives and Sub-Objectives**

PEAP/PRSP Pillar	PRSC2 Objective
I. Framework for Economic Growth and Transformation	A. Efficient and Equitable Use of Public Resources
II. Ensuring Good Governance and Security	B. Improve Service Delivery Through Cross-Cutting Reforms <ul style="list-style-type: none"> <li>● Improve Management Systems and Practices in the Public Sector</li> <li>● Increase Transparency, Participation and Reduce Corruption</li> </ul>
III. Directly Increasing the Ability of the Poor to Raise their Incomes	C. Promotion of Enabling Environment for Rural Development
IV. Directly Increasing the Quality of Life of the Poor	D. Improve Delivery of Basic Services <ul style="list-style-type: none"> <li>● Improve Quality of Education</li> <li>● Improve Quality of Health Care</li> <li>● Improve Access and Equity in Water and Sanitation</li> </ul>

Source: President's Report for PRSC2, Report No. P24400-UG (May 31, 2002), Schedule 2

3.3 **Components.** The PRSC2 program consisted of 13 core conditions (prior actions) that the Government had to carry out prior to Bank management presenting the Program Document to the Board. Table 4 lists the objectives, action areas and conditions of the credit. Table 4 indicates if the objectives were met and rates efficacy in the achievement of the objective. The section on achievement of objectives discusses achievement and efficacy. The credit was approved in July 23, 2002, became effective and disbursed on March 12, 2003, and closed in June 31, 2003. The Government met the 13 prior actions

but budget overruns and prior actions associated with the Leadership Code (official corruption) delayed effectiveness.<sup>11</sup> The credit closed on the planned date.

**Table 4. PRSC2 Conditions Associated with Objectives and Sub-Objectives**

Objectives and Action Areas	Conditions (prior actions)	Met?	Efficacy
<b>PRSC Objective A. Efficient and Equitable Use of Public Resources</b>		<b>Partially</b>	<b>Modest</b>
Allocations and Actual Expenditure	In the annual public expenditure review, GoU agreed with donors on MTEF for 2001/02- 2003/04 and executed 2001/02 budget through first two quarters consistent with the agreed allocations.		
<b>PRSC Objective B. Improve Service Delivery through Cross-Cutting Reforms</b>		<b>No</b>	<b>Negligible</b>
• B1. Improve Management Systems and Practices in the Public Sector		No	Negligible
Public Service Management	Cabinet approved and published the pay strategy consistent with MTEF and improved public sector performance		
	MOPS, in consultation with stakeholders, developed a draft strategic framework, reflecting lessons learned, for the new phase of public service reform.		
Public Procurement	MOFPED tabled Procurement Bill in Parliament		
Financial Management	MoFPED tabled new Public Finance Bill in Parliament		
• B2. Increase Transparency, Participation and Reduce Corruption		No	Negligible
Transparency	Parliament passed the Leadership Code and IGG Statutes Bill		
	Most Ministers, Presidential Advisors, Permanent Secretaries, Directors and Uganda Revenue Authority officials submitted to the Inspectorate General of Government their statement of income, assets, and liabilities		
<b>PRSC Objective C. Promotion of Enabling Environment for Rural Development</b>		<b>Partially</b>	<b>Modest</b>
Research and Technology	MAAIF completed a draft institutional review of public funding of agricultural research.		
Natural Resource Management: Land	MOFPED and MOWLE agreed on financial and institutional arrangements for the implementation of LSSP.		
<b>PRSC Objective D. Improve Delivery of Basic Services</b>		<b>Yes</b>	<b>Substantial</b>
• C1. Improve Quality of Education		Partial	Modest
Joint Government-Donor Education Sector Review	Satisfactory implementation of undertakings agreed in education sector review in April 2001 and confirmed by October 2001 review.1		
• C2. Improve Quality of Health Care		Yes	Substantial
Joint Government-Donor Health Sector Review	Satisfactory implementation of undertakings agreed in health sector review in April 2001 and confirmed by October 2001 review.5		
• C3. Improve Access and Equity in Water and Sanitation		Yes	Substantial
Access to Rural Water Supply and Sanitation	MOWLE/DWD established fully staffed technical support units (TSU).		
Access to WSS in Urban Areas	NWSC adopted a formula for periodic tariff adjustment.		
<b>Overall efficacy</b>			<b>Modest</b>

Source: Columns 1 and 2 Derived from World Bank, 2002; columns 3 and 4 from the discussion of achievement of objectives

<sup>11</sup> The simplified ICR says the Government met the credit's 12 conditions; it overlooks one asking for the National Water and Sewerage Corporation (NWSC) to adopt a formula for periodic tariff readjustment. See World Bank 2005b, Section 4.

## Relevance of Objectives and Design

3.4 **Objectives.** PRSC2 sought to resolve problems that prevented Ugandans from improving their standard of living and the Government from using its resources better. It constituted part of the four program PRSC series and therefore its objectives were deemed relevant as in the case of PRSC1. In addition, the focus of PRSC2 included the PEAP objective to increase the ability of the poor to raise their incomes. Since about 85 percent of Ugandans (and 96 percent of its poor) lived in rural areas, adding this objective to the program enhanced the relevance of PRSC2 thus yielding a *high* rating.

3.5 **Design.** The PRSC2 incorporated updates and refinements based on the experience of PRSC1 (Simplified ICR, Report No. 31762, March 10, 2005, p. 1) but essentially continued with the design of the PRSC1 and therefore was characterized by the design flaws associated with PRSC1. Most of the prior actions were procedural and the results chain was poorly defined making it difficult to monitor outcomes. This review rates the relevance of design as *modest*. Despite these shortcomings in design, the overall relevance of objective is considered *substantial*.

## Achievement of Objectives (Efficacy)

3.6 This section assesses the implementation of the program and the outcomes associated with the key objectives of PRSC2.

3.7 **Efficient and Equitable Use of Public Resources.** The program supported Government's effort to achieve an efficient and equitable use of public resources for improved access to public services, to be monitored by annual service delivery surveys, as well as through periodic participatory poverty assessments. The Government carried out the prior actions specified in the credit agreement (see Table 7). It agreed with donors on a MTEF for 2001/02-2003/04 and executed the 2001/02 budget in the first two quarters in accordance with the agreed allocations. Also, although not a condition of the credit agreement, MOFPED included in the MTEF for 2002/03- 2004/05 indicative expenditure ceilings for donor-financed projects in education, health, and water and sanitation. In the absence of a baseline survey for service delivery standards, it is not possible to assess the outcome of these efforts. Actual expenditures by sectors came within 90 percent or more of the budget allocations, except for agriculture and economic functions and social services (86 and 87 percent of the allocation) and public administration (114 percent of the allocation). PRSC2, like PRSC1, lacked well defined outcome indicators for this objective, which explains why while procedural efficacy was high from a results view point the efficacy is modest. The review concludes that efficacy was *modest*.

3.8 **Improved Service Delivery through Cross-cutting Reforms.** The program sought to improve service delivery through cross-cutting reform, and expected as its overall outcome (a) an increased access and usage of public services; and (b) a reduction in corruption in public services. With respect to improved management systems and practices in the public sector, the implementation of the program fell short of expectations. The Cabinet approved and published a pay strategy consistent with MTEF,

the MPS developed a draft strategic framework for public service reform, and MOFPED submitted the procurement bill to Parliament. The pay strategy was not carried out as expected and the public service reform envisioned in the program was not realized, because the strategy was “stalled at the conceptual level with no action despite the fact that reform needs had been clearly analyzed in the Public Administration Study” (World Bank 2005c, p. 19). The Government could not control expenditures on Public Administration (including political administrations and transfer grants to districts), thereby undermining the objective pursued under its pay strategy for public sector performance. Moreover, the ICRG indicator for the quality of the bureaucracy shows no change during the period under review. Regarding procurement, the Public Procurement Law was approved thereby permitting the set up of procurement units in the central and local Governments although procurement issues persisted. While efficacy in this aspect of the program was substantial, outcomes were *negligible*.

3.9 In dealing with the need for improved transparency and reduced corruption, the Government (a) had parliament to pass a leadership code and to establish an Inspector General of Government; and (b) required select high level Government officials to submit to the IGG their statement of income, assets, and liabilities. Compliance was once again high at the procedural level but the evidence, as for PRSC1, indicates that efficacy in achieving the objectives was negligible. As noted above, the absence of well defined and reasonable results indicators plus the evidence surveyed above explains why high efficacy in procedures can lead to such low efficacy of outcomes. Overall, efficacy is rated *negligible*.

3.10 **Promotion of Enabling Environment for Rural Development.** The program’s overall outcomes included (a) increased access and usage of agricultural and rural services; (b) increased proportion of household agricultural production sold; and (c) reduced environmental degradation. The credit sought to promote the enabling environment through prior actions on land management and on research and technology, which were met. On research and technology, the Ministry of Agriculture, Animal Industries and Fisheries (MAAIF) completed a draft institutional review of public funding of agricultural research. On land management MOFPED and the Ministry of Water, Lands and Environment (MOWLE) agreed on the financial and institutional arrangements for executing the land sector strategic plan (LSSP). The actions consisted of procedural steps whose effects on agriculture depend on the incentives for research and for creating well functioning land markets. Between 2000/01 and 2001/02 development expenditure for agriculture increased its share in total development expenditure from 4.2 to 7.0 percent. The increase indicates an effort to support agriculture, but it may take some time for the higher expenditure to show its effect on the sector and the welfare of people in rural areas. Because the short-term effect on agricultural productivity is not clear, the efficacy of the program is rated *modest*.

3.11 **Improved Delivery of Basic Services.** The program sought to improve the quality of education and the quality of health care, and to improve access and equity in water and sanitation. The program expected to achieve as overall outcome (a) universal primary education and improved learning outcomes in primary education; (b) increased satisfaction with and increased access and usage of health care services; and (c) increased satisfaction with and increased access and usage of water and sanitation services. To

achieve the overall objective the Government carried out the actions agreed in the education and health sector reviews of April and October 2001, the Directorate of Water Development established fully staffed technical support units, and the National Water and Sewerage Corporation adopted a formula for periodic tariff adjustments.

3.12 Efforts to *improve the quality of education* included enhanced budget allocation and expenditure management. The PD for PRSC2 noted a minimum budgetary allocation of 31 percent of recurrent discretionary expenditure for education, of which no less than 65 percent went to primary education. On the other hand, the IMF estimated that in 2001/02 total expenditure in education reached 24.1 percent of the Government's total domestic expenditure, while current expenditure in education reached 25 percent of the Government's current expenditure, below the targets report in the PD. As noted in the discussion of the PRSC1, and in view of the inefficiencies in public expenditure in education, the review does not consider this shortfall a shortcoming of the program as it may have led to less waste in education expenditure. On expenditure management the Government carried out a financial audit for education expenditures for the central and local Governments for the previous financial year. The program also sought to increase the number of teachers, textbooks and classrooms per student enrolled; the target was met for the pupil per classroom ratio only. The authorities recruited 6,683 teachers during the year,<sup>12</sup> leading to partial fulfillment of the target established. The established equity targets were not met. The share of appropriate age range of girls and boys in Primary 7 nationally and by district reached 8 percent, below the 16 percent benchmark. Nevertheless, the Government produced a draft policy paper that explored options to enhance equitable access to education by disadvantaged groups. The review considers that efficacy in achieving the objective was *modest*.

3.13 To *improve quality of health care*, the Government carried out the undertakings agreed to in the health sector review of April 2001 and confirmed in the October 2001 review. Most actions agreed to in the review referred to procedural aspects, including one requiring the Ministry of Health to make interim procurement arrangements in accordance with the procurement regulation. In *human resources* an important step taken was to clean up the payroll of the health sector and to consolidate all staff into the primary health care strategy (PHC) conditional grant payroll. The Government also started a strategy for in-service training and continuing education. In *procurement* the Government produced a comprehensive medium-term procurement plan. In *finance* the Government announced its commitment to increasing the proportion of Government funds allocated to the health sector, and the Ministries of Health and Finance reviewed the accountability conditions for the release of PHC funds. In *monitoring and supervision* the Ministry of Health made data on monitoring indicators available for sector reviews, and the Government of Uganda updated and approved the baseline data and targets for the PEAP indicators and the health sector strategic plan (HSSP). In *staffing* the Government met the prior action of ensuring that, excluding existing hospitals, 50 percent

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<sup>12</sup> For the recruitment of new teachers the actual value is derived from information in the PRSC2 program documents which reports that between May 2001 and 2002 a total of 10,515 primary school teachers had accessed the payroll, 2,111 had been reactivated and 5,943 had been deleted (See World Bank 2002, p. 119).

of health sub districts have in post medical officers. The review concludes that efficacy in achieving the objective was *substantial*.

3.14 The Government met the prior actions agreed to. They required that (a) the Minister of Water, Lands and Environment (MWLE) and the Directorate of Water Development (DWD) establish fully staffed technical support units; and (b) the National Water and Sewerage Corporation (NWSC) adopted a formula for periodic tariff adjustments. The Government also met all but one of the quantitative targets set forth for the PRSC2. The conditions sought to expand the access to and improve the equity of water supply and sanitation in rural and urban areas, an objective that was essentially achieved. The review concludes that efficacy in achieving the objective was *substantial*. Table 13 presents the relevant information showing that the indicators were met.

3.15 Overall, the review concludes that the efficacy in achieving the objective was *substantial*.

## Ratings

3.16 **Outcome.** The actions taken helped to achieve the expenditure targets partially, to increase access to health and water supply and sanitation services, and to increase the number of classrooms, reducing the number of students per classroom. In rural development the review notes the increase in the investment budget for agriculture, a necessary and important step for generating and disseminating technology, but not enough to change living conditions in the short-term. Little changed in terms of transparency, and reduced corruption. The review rates the project outcome as *moderately satisfactory*.

3.17 **Risk to Development Outcome.** The PRSC2 built on PRSC1 but its design, and the nature of the prior actions and the expected results remained essentially unchanged. The economic and political conditions in Uganda experienced little change during 2001 to mid-2003, when PRSC1 and PRSC2 were effective. For these reasons, the review considers the challenges faced by PRSC2 as similar to that of PRSC1, and rates the risk to development outcome as *significant*.

3.18 **M&E: Design.** The PRSC2 specified quantitative targets to monitor progress in improving service delivery and added indicators to tracking progress in the efficient and equitable use of public resources and financial management. Three indicators were specified for monitoring macroeconomic performance (inflation, international reserves, and real GDP growth), but their link to achieving an efficient and equitable use of public resources was not made clear. As with PRSC1, the M&E framework for PRSC2 fell short of explaining how achieving input targets in the delivery of basic services would lead to better quality (e.g., learning outcomes, reduced infant mortality). This review rates the design of monitoring and evaluation (M&E) as *modest*.

3.19 **M&E: Implementation.** The PRSC2 expanded the number of monitoring indicators and outcome targets relative to PRSC1 but the effort to track them fell short of what was needed. Several reasons contributed to shortcomings in implementation. First, the Government did not carry out the annual surveys of households and service delivery

which were identified as the way to verify overall outcome for the program.<sup>13</sup> Second, the parties involved in preparing the PRSC2 did not solve its problems of design during preparation (essentially, its implementation period) and did not correct the weaknesses inherent in the indicators selected to evaluate results. Third, stakeholders had little ownership of implementation of the credit and, as a result, of its expected results. This review rates the quality of M&E for implementation as *modest*.

**3.20 M&E: Utilization.** The PRSC2 had the same shortcomings in utilization of its M&E system as PRSC1. For example, M&E did not assess whether the theory of change within the project and its logic of causality were sound, nor did the indicators of PRSC2 measure outcome better than those in PRSC1. In addition, the M&E effort did not affect the design of PRSC3. This review rates the quality of M&E for utilization as *modest*. Overall, the M&E system for PRSC2 is rated as *modest*.

**3.21 Bank performance.** Bank performance for PRSC2 must be judged on the quality at entry, that is, the quality of the interventions that support the program and the results indicators that permit evaluating progress. Because PRSC2 has a structure similar to that of PRSC1 the comments that apply to Bank performance in PRSC1 are also valid for PRSC2. The expansion of objective to include rural development and associated interventions did enhance Bank performance under PRSC2. As a result, overall quality at entry did not change and the review rates Bank performance *moderately satisfactory*.

**3.22 Borrower performance.** Borrower performance for PRSC2 must be judged to a large extent on the quality at entry of the credit but also on its readiness to meet the prior actions agreed to. After the credit's approval it took more than nine months for the Government to meet the prior actions it had agreed to, which suggests that the Government was not ready to carry out some of the actions it had agreed to. For this reason, the review rates Borrower performance *moderately unsatisfactory*.

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<sup>13</sup> Perhaps the best indicator of their absence is that neither the PRSCs, nor the simplified ICRs, nor the full ICR for PRSC1-3 refer to results from these surveys.



## 4. Third Poverty Reduction Support Credit

### Objectives and Components

4.1 The third poverty reduction support credit (PRSC3) continued the support to the PEAP provided through the PRSC1 and 2. It was provided in a form of a grant and was approved in September 9, 2003, disbursed in February 11, 2004, and closed in September 30, 2004. **Objectives.** The grant supported the four pillars of the Government's reform program spelled out in its PEAP. Beyond the overall PRSC objective to help improve basic service delivery, PRSC3's specific objectives were to: (a) achieve an efficient and equitable use of public resources; (b) improve service delivery through cross-cutting reforms; (c) promote an enabling environment for rural development; and (d) improve delivery of basic services (Table 5).

**Table 5. PEAP Pillars and PRSC3's Objectives and Sub-Objectives**

PEAP/PRSP Pillar	PRSC3 Objective
I. Framework for Economic Growth and Transformation	A. Efficient and Equitable Use of Public Resources
II. Ensuring Good Governance and Security	B. Improve Service Delivery Through Cross-Cutting Reforms <ul style="list-style-type: none"> <li>● Improve Management Systems and Practices in the Public Sector</li> <li>● Increase Transparency, Participation and Reduce Corruption</li> </ul>
III. Directly Increasing the Ability of the Poor to Raise their Incomes	C. Promotion of Enabling Environment for Rural Development
IV. Directly Increasing the Quality of Life	D. Improve Delivery of Basic Services <ul style="list-style-type: none"> <li>● Improve Quality of Education</li> <li>● Improve Quality of Health Care</li> <li>● Improve Access and Equity in Water and Sanitation</li> </ul>

Source: Program documents for PRSC3, Report No. P26078-UG (July 28, 2003), Schedule 2

4.2 **Components.** The PRSC3 consisted of 11 core prior actions carried out by the Government before Bank management presented the credit to the Board. Table 6 lists the objectives, action areas, and prior actions of the credit. Table 6 indicates if the objectives were met and rates efficacy in the achievement of the objectives. The section on achievement of objective discusses achievement and efficacy.

Table 6. PRSC3 Prior Actions Associated with Objectives and Sub-Objectives

Objectives and Action Areas	Conditions (prior actions)	Met?	Efficacy
<b>PRSC Objective A. Efficient and Equitable Use of Public Resources</b>		<b>Partially</b>	<b>Modest</b>
Allocation and Actual Expenditure	In the annual public expenditure review, GoU agreed with donors on MTEF for 2002/03-2004/05 and executed 2002/03 budget through first two quarters consistent with the agreed allocations.		
<b>PRSC Objective B. Improve Service Delivery through Cross-Cutting Reforms</b>		<b>No</b>	<b>Negligible</b>
• B1. Improve Management Systems and Practices in the Public Sector		No	Negligible
Public Service Management	Ministry of Public Service (MOPS) and MoFPED agreed on target salary adjustments in line with the pay reform strategy, and the associated wage bill reflected in MTEF		
	MOPS, in collaboration with line ministries, submitted preliminary findings on cost effectiveness and efficiency of employment/staff utilization in social sectors		
Public Procurement	Enactment of the Procurement Bill with provisions ensuring competition in selection of third party procurement agents.		
Financial Management	Enactment of the Public Finance and Accountability Bill.		
• B2. Increase Transparency, Participation and Reduce Corruption		No	Negligible
Transparency	IGG issued to appointing authorities letters for disciplinary action against Ministers, Presidential Advisors, Permanent Secretaries, Directors, and Uganda Revenue Authority officials who have failed to declare their income, assets, and liabilities, and appropriate action taken in accordance with the law.		
<b>PRSC Objective C. Promotion of Enabling Environment for Rural Development</b>		<b>No</b>	<b>Negligible</b>
Natural Resource Management: Land	MOWLE and Public Service Commission completed recruitment of staff for the Land Sector Strategic Plan (LSSP) implementation division.		
<b>PRSC Objective D. Improve Delivery of Basic Services</b>		<b>Yes</b>	<b>Substantial</b>
• C1. Improve Quality of Education		Partially	Modest
Joint Government-Donor Education Sector Review	Satisfactory implementation of undertakings agreed to in the education sector review in April 2002 and confirmed in the October 2002 review.		
• C2. Improve Quality of Health Care		Yes	Substantial
Joint Government-Donor Health Sector Review	Satisfactory implementation of undertakings agreed in the health sector review in April 2002 and confirmed by the October 2002 review		
• C3. Improve Access and Equity in Water and Sanitation		Yes	Substantial
Access to Rural Water Supply and Sanitation	MOPS approved reorganization of DWD and initiated its implementation.		
Access to WSS in Urban Areas	MOFPED and NWSC agreed on a time-bound action plan to settle the existing arrears owed to NWSC and took measures to prevent new ones.		
<b>Overall efficacy rating</b>			<b>Modest</b>

Source: Columns 1 and 2 derived from World Bank (2002), Schedule 2a; columns 3 and 4 from discussion on achievement of objectives

## Relevance of Objectives and Design

4.3 **Objectives.** The PRSC3 followed the same reform framework and employed the same objectives as those of the preceding two PRSCs, consistent with the overall thrust of the four PRSC series. In this respect, the relevance of objectives for the PRSC3 is rated *high* consistent with the previous PRSC.

4.4 **Design.** The credit had a weak design. Because it shared many elements of design with PRSC1 and PRSC2, it also shared their weaknesses. The PRSC3 focused “on actions to deepen reforms in most of the sectors covered in the first two PRSCs and incorporated additional financial sector issues such as pension.”<sup>14</sup> Like the PRSC1 and 2, PRSC3 did not explain how meeting procedural conditions and achieving certain input targets ensured that it would achieve their objectives. Furthermore, the monitoring requirement for PRSC3 was expanded to correspond to the increased number of indicators. Overall, PRSC3 had unrealistic expectations given the objectives, the prior actions, the triggers established, and the Government’s capacity to deliver on them. As a result, the review rates the relevance of design as *negligible* and overall relevance of objectives and design *modest*.

## Achievement of Objective (Efficacy)

4.5 **Efficient and Equitable Use of Public Resources.** The PRSC3 supported this objective with interventions in budget allocation, intergovernmental transfers, focus on results orientation, and financial sector reforms. The prior action consisted of donors and Government agreeing on MTEF for 2002/03-2004/05 and executing the 2002/03 budget through the first two quarters consistent with the agreed allocations. The review finds that budgetary inputs were delivered and that actual expenditure for 2002/03 came within 97-105 percent of budget allocations for all sectors but security, which exceeded its allocation by 13 percent. Total expenditure and net lending increased from 19.3 percent of GDP in 1998/99 to 23.4 percent of GDP in 2002/03, and foreign financing reached 13.7 percent of GDP in 1998/99 and 15.6 percent of GDP in 2002/03. Because the Government lacked the capacity to absorb the large amounts of aid “resulted in absorption problems”<sup>15</sup>. Expenditures in defense exceeded their budget allocations, causing cuts in development expenditures by about 15 percent of the initial allocation, thereby undermining the effort to improve budget management.<sup>16</sup> As in previous PRSCs, the gap in efficacy of procedures and efficacy of outcomes arises from the lack of a reasonable link between the prior actions and the expected outcomes and the absence of well designed results indicators for this objective. The review concludes that efficacy in achieving an efficient and equitable use of public resources was *modest*.

4.6 **Improve Service Delivery through Cross-cutting Reforms.** The PRSC3 sought to achieve this goal by supporting actions leading to an improvement in management systems and practices and to less corruption and more transparency and participation..

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<sup>14</sup> World Bank 2005c, p. 4.

<sup>15</sup> Ibid., p. 36

<sup>16</sup> Data from IMF 2005, Table 16. The comment on cuts in development expenditures appears in World Bank 2005c, p. 18

4.7 To *improve management systems and practices in public sector*, the PRSC3 supported interventions and demanded prior actions in the areas of public service management, public procurement, and financial management. The Government carried out the prior actions specified in the credit agreement. Specifically, for public service management: (a) MOFPED and MPS agreed on target salary adjustments in line with the pay reform strategy, and the associated wage bill reflected in MTEF; and (b) MPS, in collaboration with line ministries, submitted preliminary findings on cost effectiveness and efficiency of employment/staff utilization in social sectors. On public procurement, the Procurement Bill was enacted, with the bill ensuring competition in the selection of third party procurement agents. On financial management, the Public Finance and Accountability Bill were enacted. Of the three areas covered, the one for financial management had outcome indicators, one of which was met and the other two were not (see Table 14). Moreover, the rapid expansion in public service employment constitutes a threat to pay reform and overall civil service reform. Although the Government reduced its work force from 320,000 workers in 1990 to 160,000 in 1997, the effort was nullified by the subsequent expansion in employment, which reached 220,000 by 2003 in the absence of a functional review. To some extent this has been made possible by the large inflows of foreign aid the Government received during those years. This review concludes that efficacy in achieving this objective was *negligible*.

4.8 The PRSC3 sought to help achieve *increased transparency and participation, and reduced corruption* by requiring the Government to carry out the following prior action: the Inspectorate General of Government (IGG) issued letters for disciplinary action against Ministers, Presidential Advisors, Permanent Secretaries, Directors, and Uganda Revenue Authority officials who failed to declare their income, assets, and liabilities. While this action was a bold move, it did very little to improve the environment for reducing corruption. Available evidence suggests that people believed that corruption was lower in 2004 than in 2003 and 2001, but the change does not constitute a significant one (from a statistical view point) to suggest that the practice has declined. The review concludes that efficacy in achieving the objective has been *negligible*.

4.9 **Promote Enabling Environment for Rural Development.** To *promote an enabling environment for rural development*, the PRSC3 supported interventions in land management. The focus was on the Land Act of 1998 and a prior action required that the MWLE and the Public Services Commission complete the recruitment of staff for the division in charge of executing the land sector strategic plan. Staffing the office charged with executing the land sector strategic plan was necessary to give people access to land but land distribution did not improve. The village census and other studies showed that the wealthiest landholders increased their holdings, rather than poor households increasing their access to land. Moreover, rural poverty increased, and by 2002/03 about 49 percent of the self-employed were under the poverty line, up from 39 percent in 1999/2000. The review concludes that efficacy in achieving the objective was *negligible*.

4.10 **Improved Delivery of Basic Services.** The PRSC3 helped to improve the quality of education, the quality of health care, and the access to water and sanitation and the equity of access through a set of prior actions: (a) the Government to carry out the actions agreed in the education and health sector reviews of April and October 2002; (b) the Ministry of Public Services to approve the reorganization of the Directorate of Water

Development; and (c) MOFPED and NWSC to agree on a time-bound action plan to settle the existing arrears owed to NWSC and take measures to prevent new ones.

4.11 To achieve *improved quality of education*, the Government agreed to carry out the undertakings agreed to in the education sector reviews of April 2002 and October 2002, which consisted of meeting financial commitments, carrying out procedural aspects, and meeting quantitative input and output targets. To this effect, the program document notes that the Government allocated a minimum of 31 percent of recurrent discretionary expenditure for education, of which no less than 65 percent went to primary education. Actual expenditure was not consistent with the percentages noted in the program document. IMF data indicate that total expenditure in education in 2002/03 reached only 23.3 percent of total domestic expenditure. Again, as noted in PRSC1 and PRSC2, in view of the inefficiencies documented in public expenditure in education, the review does not consider this a shortcoming of the program. Similarly, the program sought to increase the number of teachers, textbooks and classrooms per student enrolled but the targets were not met. The actual pupils per teacher ratio, 58, exceeded the target of 50, and the actual pupils per classroom ratio, 94, exceeded the target of 92. No targets were set for the pupil-text book ratio. During the review the parties strengthened the mechanisms for monitoring the share of positions for teachers filled. The parties also discussed a draft policy framework that included the costs of expanding post-primary education and training. To achieve equity, the Government also prepared a draft framework for basic education for disadvantaged children with costs; this information was used for the 2003/04 budgeting cycle. The review concludes that efficacy in achieving the objective was *modest*.

4.12 Efforts to improve *the quality of health care* led to a wide range of undertakings, including (i) the production of a strategy to justify increasing health sector allocation to 15 percent of the total Government budget, up to a minimum of \$25 per capita, (ii) the need to improve the flow of funds to and within the Ministry of Health, and (iii) the carrying out of studies, conducting needs assessment of staffing levels, and reviewing the structure of Ministry of Health headquarters and regional referral hospitals. Benchmarks for vaccinations, HIV prevalence, service utilization levels, staffing of private-not-for-profit health units (PNFP), and institutional deliveries in Government and PNFP health units were established. These benchmarks were exceeded for all indicators, except for HIV prevalence and institutional deliveries.<sup>17</sup> The review concludes that efficacy in achieving the objective was *substantial*.

4.13 With respect to access and equity in water and sanitation, the Government met the prior actions agreed to as well as some of the monitoring indicators. The achievement for urban water supply and sanitation exceeded their targets and fell short of the expectation for rural water supply and sanitation; no information is available to establish if the targets for small town water supply and sanitation were met (Table 15). The review concludes that efficacy in improving access to water and sanitation was *substantial*.

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<sup>17</sup> See World Bank 2003a, Annex 2, p. 117

## Ratings

4.14 **Outcome.** The actions taken did not lead to more efficient and equitable use of public resources nor to the cross-cutting reforms that could improve service delivery, but they helped to increase access to education, health, and water supply and sanitation services. Given the progress made on all fronts and subject to the failure to link outputs and procedures to expected outcomes, this review rates the outcome of PRSC3 as *moderately unsatisfactory*.

4.15 **Risk to Development Outcome.** The PRSC3 succeeded in its aim of improving delivery of services in education, health care, and sanitation. It did not succeed in improving service delivery through cross-cutting reforms, or in increasing the efficiency and equity of public resources or in promoting an enabling environment for rural development. The risks to development outcomes noted for PRSC1 and PRSC2 remain valid for PRSC3. The large dependence of the Government's budget on grants, and the inability of the Government to reduce it, poses significant risk to future expansion to service delivery. The Government has increased revenues by less than one percent of GDP and its deficit in the absence of grants remained high (11.3 percent of GDP), suggesting problems with expenditure control. For these reasons the review rates the risk to development outcome as *significant*.

4.16 **Monitoring and Evaluation.** PRSC3 suffered from the same deficiencies in design noted for PRSC1 and 2: mismatched sets of indicators with prior-actions, insufficient explanation of the choice of indicators, and inadequate monitoring. As such, the design is rated *modest*. In terms of implementation, the Government carried out national integrity surveys which gathered information on delivery of public services in education and health and on perceptions of corruption. Despite the surveys, the scarcity of statistics continued, although agencies like the NWSC and sectors like education and health gathered data to assess performance and adjusted targets according to that information. The quality of M&E for implementation is thus *substantial*. But the PRSC3 had the same shortcomings in utilization of M&E as PRSC1 and PRSC2. The program document neither assessed the theory of change within PRSC3 nor tried to go beyond inputs and outputs to measure outcomes. Overall, M&E was only *modest*.

4.17 **Bank Performance.** This review rates Bank performance *moderately unsatisfactory*. The rating is based on the problems of design and quality at entry discussed earlier and on the problems of design of M&E noted above.

4.18 **Borrower Performance.** This review rates Borrower performance *moderately satisfactory*. The Government had spelled out its reform program in the PEAP. The PEAP set goals and means to achieve them, guiding policy and imposing some discipline to Government actions. The Government met the prior actions set in the program document for PRSC3 but did not spend as much in education as it was expected from the budget allocations agreed to. The review notes that there seems to be a trend to reduce corruption, but the trend does not constitute a significant change to assert that it represents a true break with past practices.

## 5. Fourth Poverty Reduction Support Operation

### Background

5.1 The PRSC4, the final in the series of PRSCs, continued the Bank's support to Uganda for its service delivery and rural development reform program. Unlike the previous PRSCs, the objectives of PRSC4 were better defined, the results orientation was much improved, and its focus on gender, and infant and maternal mortality was sharpened.

### Objectives and components

5.2 **Objectives.** The PRSC4 defined as an overall objective of the program the equitable access to and effective delivery of public service and improved rural development. The grant sought to achieve ten outcomes to match the four pillars of the Government's PEAP (Table 7).<sup>18</sup> The ten outcomes were similar to the themes identified in the four objectives of PRSC1-3, but they define better what to expect from the interventions. Table 7 outlines the similarities between the PEAP, PRSC1-3 and PRSC4. The PRSC4 aligned its objectives with those of the PEAP whose broad strategy was relevant in dealing with the problems Uganda faced at the time.

**Table 7. PEAP/PRSP Pillars , PRSC4 Outcomes, and PRSC1-3 Objectives and Sub-Objectives**

PEAP/PRSP Pillar	PRSC4 Outcomes	Objectives in PRSC 1, 2, and 3
I. Creating a Framework for Economic Growth and Structural Transformation	1. Efficient and Equitable use of Public Resources	A. Efficient and Equitable Use of Public Resources
II. Strengthening Good Governance and Security		B. Improve Service Delivery Through Cross-Cutting Reforms
	2. Improved capacity and performance of the public service	
	3. Strengthened Financial Management Practices	<i>B1. Improve Management Systems and Practices in the Public Sector</i>
	4. Strengthened Rule of Law, transparency, detection and sanctioning of corrupt practices	<i>B2. Increase Transparency, Participation and Reduce Corruption</i>
III. Increasing the Ability of the Poor to Raise their Incomes	5. Improved Civil Society Participation	
	6. Improved Environmental Sustainability.	C. Promotion of Enabling Environment for Rural Development
	7. Improved Enabling Environment for Transition from Subsistence to Commercial Agriculture	
IV. Improving the Quality of Life of the Poor		D. Improve Delivery of Basic Services
	8. Universal Primary Education Achieved	<i>D1. Improve Quality of Education</i>
	9. Reduced child mortality, better maternal health, and progress against HIV/AIDS, Malaria and other diseases	<i>D2. Improve Quality of Health Care</i>
	10. Improved Access to Functional Water and Sanitation Services	<i>D3. Improve Access and Equity in Water and Sanitation</i>

Source: World Bank 2001, 2002, 2003a, and 2004, all Schedule 2. This review for the mapping of pillars, outcomes and objectives.

<sup>18</sup> The PRSC4 outcomes can be construed as objectives, but this review follows the program document and uses the term outcome.

**5.3 Components.** PRSC4 had eight core prior actions that the Government had to meet prior to Bank management presenting the operation to the Board. They supported Pillars I, II, and IV of the PEAP and sought to achieve six of the 10 objectives listed in the program document. Table 8 lists the pillars, the prior actions, and the outcomes supported. Table 8 indicates if the objectives were met and rates efficacy in the achievement of the objectives. The section on achievement of objective discusses achievement and efficacy. Because the expected outcomes under Pillar III were not associated with prior-actions (since the associated triggers were waived), they are not assessed in this review for lack of referenced benchmarks, hence the review of six of the ten objectives.

**Table 8. PRSC4 Prior Actions Associated with PEAP Pillars and PRSC4 Outcomes**

<b>Pillars and Outcomes</b>	<b>Prior Actions</b>	<b>Met?</b>	<b>Efficacy</b>
<b>PEAP/PRSP PILLAR I: Creating a Framework for Economic Growth and Structural Transformation</b>		<b>Not</b>	<b>Negligible</b>
Outcome 1. Efficient and Equitable use of Public Resources	In the annual public expenditure review, GoU agreed with donors on MTEF for 2003/04-2005/06 and executed the 2003/04 budget through the four quarters consistent with the agreed allocations.	Not	Negligible
<b>PEAP/PRSP PILLAR II: Strengthening Good Governance and Security</b>		<b>Not</b>	<b>Negligible</b>
Outcome 2. Improved Capacity and Performance of the Public Service	MOPS and MOPPED effect salary adjustments for FY 2003/04 consistent with the pay reform strategy and MTEF.  MOPS and MOPPED completed a comprehensive draft policy paper on issues, measures and modalities for controlling the size of public administration and ensuring cost efficiency and effectiveness of the establishment in social sectors and discussed it with social sector ministries.	Not	Negligible
Outcome 4. Strengthened Rule of Law, Transparency, Detection and Sanctioning of Corrupt Practices	The Inspector General (IG) completed analysis of declared assets and information collected from key categories of leaders, initiated asset verification, investigated all complaints from the public received by his office by November 1 2003, and presented a time bound action plan for the implementation of the leadership code.  By May 2004 the Ministry of Local Government submitted to Cabinet the draft Local Government Procurement & Disposal of Assets Regulations and proposals to amend the Local Government Act, particularly on those issues relating to the appointment and removal of the tender boards members in the Local Governments.	Not	Negligible
<b>PRSP PILLAR IV: Improving the Quality of Life of the Poor</b>		<b>Partially</b>	<b>Modest</b>
Outcome 8. Universal Primary Education Achieved	Satisfactory implementation of undertakings agreed in education sector review in November 2002 and confirmed by November 2003 review	Partially	Modest
Outcome 9. Reduced Child Mortality, Better Maternal Health, and Progress against HIV/AIDS, Malaria and other Diseases	Satisfactory implementation of the undertakings agreed in the health sector review in November 2002, and confirmed by the November 2003 review.	Yes	Substantial
Outcome 10. Improved Access to Functional Water and Sanitation Services	Satisfactory implementation of undertakings agreed in water and sanitation sector review in September 2003 and confirmed by March 2004 review.	Partially	Modest
<b>Overall efficacy rating</b>			<b>Negligible</b>

Source: Columns 1 and 2 from World Bank 2004, , Schedule II; columns 3 and 4 from the discussion on achievement of objectives

## Relevance of Objectives and Design

5.4 Like the previous PRSCs in the series, the relevance of PRSC4's objectives is relevant in meeting the development needs of Uganda. In addition, because PRSC4 defined its objectives much better and reduced their scope, this made it possible to articulate with more precision what was expected to be achieved with the prior actions. In addition, PRSC4 also defined three-year outputs that were essential steps towards achieving the long-term outcomes that the PEAP targeted. By making its objectives and results indicators more precise and the chain of results more explicit, the design of PRSC4 became more relevant than those of PRSC1-3. This review rates overall relevance and the relevance of design as *substantial*.

## Achievement of Objectives (Efficacy)

### *Pillar I: Creating a Framework for Economic Growth and Structural Transformation*

5.5 **Efficient and Equitable Use of Public Resources.** Consistent with PRSC 1-3, as part of the annual public expenditure review, the Government had agreed on an MTEF for 2003/04-2005/06 with the donors and executed the 2003/04 budget through the four quarters consistent with budget allocations. But large discrepancies appear between actual and budgeted expenditures by sectors. For example, expenditure in security exceeded planned budget by 25 percent, while expenditures for roads and works, agriculture, health, and economic function and social services fell below their targets by 40 percent, 31 percent, and 44 percent. Expenditure exceeded the budgeted amounts by 19 percent in public administration, 18 percent in justice and law, and 12 percent in education.<sup>19</sup> These numbers suggest that the actual allocations did not lead to a more efficient and equitable use of public resources. The PER for 2007 concludes that progress was markedly slow in increasing expenditure efficiency.<sup>20</sup> For example, expenditure in the education sector - from pre-primary through university post-graduate - accounted for one-fourth of the Government's domestic expenditure. A recent internal Bank report found that the internal efficiency of primary education was low for two reasons. First, leakage of resources between the central Government and the school through ghost teachers, and misuse of UPE grants to district Governments. Second, resources leak within the schools, mainly attributable to high rates of student, teacher, and headmaster absenteeism.<sup>21</sup> Efficacy in achieving the objective was *negligible*.

### *Pillar II: Strengthening Good Governance and Security*

5.6 **Improved Capacity and Performance of the Public Service.** The Government carried out the prior actions specified in the credit agreement but they are unlikely to have led to an improved capacity and performance of the public service. The appraisal document for the Uganda Public Service Performance Enhancement Project noted that capacity in the public sector had not increased and suggested that deficiencies in capacity stalled the

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<sup>19</sup> The original data come from (a) PEAP 2004/5-2007/8, Table 8.3 for the budget allocation for 2003/04 and (b) IMF, 2005, Table 18 for the actual expenditure

<sup>20</sup> World Bank 2007, p. 13

<sup>21</sup> Winkler and Sondergaard (2008), p. 5 in executive summary

execution of the PRSP during 2001-2006.<sup>22</sup> An indicator of bureaucratic quality produced by ICRG indicates that the quality is low and remained unchanged during the period under review. The review concludes that efficacy in achieving the outcome was *negligible*.

**5.7 Strengthened Rule of Law, Transparency, Detection and Sanctioning of Corrupt Practices.** The Government met the two conditions for this objective making efficacy at the procedural level high. But the evidence on rule of law, transparency, and corruption indicates that the country advanced little.<sup>23</sup> The ICRG indicator for corruption indicates that the practice is widespread and little changed during the period reviewed. According to the corruption perception index of Transparency International Uganda's level moved from 2.1 in 2002 to 2.2 in 2003 and 2.6 in 2004, ranking it in the top 5<sup>th</sup>, 15<sup>th</sup>, and 30<sup>th</sup> percent of the most corrupt countries in the world. The change shows an improvement in perceptions of corruption, but it does not represent a real break with the past. Despite conceptual limitations with corruption perception indexes, they suggest weaknesses in achieving the goals set in PRSC4 and thus the efficacy is rated *negligible*.

***PILLAR IV: Improving the Quality of Life of the Poor***

**5.8** To achieve this objective the PRSC4 set as prior action the satisfactory implementation of the undertakings agreed in the (a) health and education sector reviews in November 2002 and confirmed by the November 2003 review; and (b) water and sanitation sector review in September 2003 and confirmed by the March 2004 review.

**5.9 Universal Primary Education.** PRSC4 supported the Government goal of universal primary education by improving budget allocation to the education sector. The program document notes that Government allocated a minimum of 31 percent of recurrent discretionary expenditure for education, of which no less than 65 percent went to primary education. But IMF data show that actual total Government expenditure in education in 2003/04 accounted for 22.2 percent of the Government's total domestic expenditure, below the 31 percent established in the prior actions. As argued before, this is not necessarily a shortcoming when there is evidence that expenditure in education is inefficient. The PRSC4 also supported improvement in the quality of teaching (pupils per teacher), increased access to learning materials (pupils per textbook), and improved learning environment (pupils per classroom). Of the three outcomes, only the target for access to learning materials was achieved, with three pupils per textbook. The other two outcomes fell short of their goals (58 pupils per teacher versus a target of 52, and 94 pupils per classroom versus a target of 92). On equity, PRSC4 fell short of achieving the goal of having 12 percent of girls and boys of appropriate age range completing primary grade 7, as 10.7 percent of boys and 9.3 percent of girls did so. Overall, efficacy was *modest*.

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<sup>22</sup> The PAD notes that "Under the results oriented management approach (ROM), which remains the core component of the PRSP, ministries, departments and agencies (MDAs) are required to plan, implement, monitor and evaluate performance. However, the low capacity and a weak incentive system in MDAs, ..., have severely constrained progress in institutionalizing the results-based approach within the public service management." World Bank, 2006c, p. 2

<sup>23</sup> Ibid, p. 31

**5.10 Health.** The PRSC4 also supported reforms to reduce child mortality, provide better maternal health care, and make progress against HIV/AIDS, malaria and other diseases. Of the outcomes sought, the percentage of children receiving DPT3 vaccination exceeded its target (83 percent versus 65 percent), the prevalence rate of HIV fell short of its target (6.3 percent versus 5.5 percent), and the institutional deliveries in health units basically reached its target (25 percent target versus 24.4 percent actual). In addition, the mortality rate (per 1,000) for infants dropped from 89 to 75, and for under-five from 158 to 137.<sup>24</sup> Maternal mortality stood at 435 per 100,000 births for the ten year period 1995-2005.<sup>25</sup> The achievement of objectives was therefore *substantial*.

**5.11 Improved Access to Functional Water and Sanitation Services.** The Government carried out undertakings which consisted of revising sector investment and operational plans, developing and initiating implementation of a subsidy policy and strategy for the sector as a whole, and accelerating the implementation of the institutional reform process in the urban water and sanitation subsector. The targets for rural water supply and sanitation were not met. Missing this target was a setback for the program because 87 percent of the people live in rural areas.<sup>26</sup> For small towns, one target was met and there is no information for two other targets. For urban areas, except for the need to establish the level of unaccounted water, all targets were met (Table 18). This review concludes that efficacy in improving access was *modest*.

## Ratings

**5.12 Outcome.** The actions taken under PRSC4 did not lead to more efficient and equitable use of public resources nor to cross-cutting reforms that would improve service delivery, but they helped to increase access to education, health, and water supply and sanitation services. This review rates the project outcome as *moderately unsatisfactory*.

**5.13 Risk to Development Outcome.** This review considers the risks to development outcome for PRSC4 similar to those for PRSC1-3. Four points need to be highlighted. First, despite the growth of domestic revenues the Government continued to depend heavily on foreign aid to finance its large level of expenditures. Second, Government investment as percent of GDP has remained stable, in part crowded out by the growth of public employment and of expenditures in public administration. Third, investment

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<sup>24</sup> The evidence discussed refers to changes occurring between 1994-2000 and 2001-05 and reported in the 2006 Uganda Demographic and Health Survey (UDHS). See Uganda Bureau of Statistics and Macro International Inc., 2006, Figure 9.1, p. 112

<sup>25</sup> The UDHS notes that "it is impossible to say with confidence that maternal mortality has declined" and "a decline in the maternal mortality ratio is not supported by the trends in related indicators, such as antenatal care coverage, delivery in health facilities, and medical assistance at delivery, all of which have increased only marginally over the last ten years." Ibid., p. 282. Table 2.1 of Government of Uganda 2007a, shows a decline in maternal mortality per 100,000 births from 505 in 2001 to 435 in 2006. The Report quotes the UDHS as its source, but its interpretation differs from UDHS

<sup>26</sup> According to the Government's poverty status report for 2005 "access to rural water supplies remains ambiguous. access to rural water supplies increased from 54.9% in 2002 to 61.3% in 2004/05., on the bases that functionality rates nationwide are reported to be significantly below the 100% mark, a more realistic figure for access to rural water supplies has been estimated at 49.7%." Moreover, new population figures show a larger rural population meaning that "new investments have just kept abreast with population growth (3.3%) since 2002" (Government of Uganda, 2007b, pp. 178, 180)

expenditure has a large component of recurrent expenditures, making it more difficult to reduce expenditures if the need arises.<sup>27</sup> Fourth, according to Freedom House both the functioning of Government and the rule of law have deteriorated since 2006, which suggests that any gains achieved so far will be harder to maintain. For these reasons the review rates the risk to development outcome as *significant*.

**5.14 M&E: Design.** The PRSC4 program document improved significantly on the design of M&E over that of PRSC1-3. The Policy Results Matrix defined better the expected outcomes and the indicators to judge results, explained better the results chain between prior actions and outcomes, identified the sources of information to check on results, and in most instances specified the baseline and target values. As the Government notes in its comments to the ICR, the PRSC4 enhanced the focus on results.<sup>28</sup> Still, some shortcomings persist. First, the operation had an unwieldy policy results matrix that covered many actions, most of them unrelated to what the operation supported and intended to achieve. As a result, separating achievements of the operation from general changes in Uganda became difficult. Second, some results could have been defined with more precision. For example, the PRSC4 could have used a better indicator to determine changes in efficiency and equity in the use of public resources; the use of allocating a percentage of the budget to priority areas as an index is not appropriate because earmarking revenues usually leads to the waste of resources. This review rates the design of monitoring and evaluation (M&E) as *modest*.

**5.15 M&E: Implementation.** The PRSC4 expanded the number of indicators and outcome targets for monitoring purposes but this was defeated by the absence of data. There were also limitations with respect to the definition of concepts. The shortcomings did not prevent donors and Government from monitoring implementation and results. Uganda has M&E systems for some Government programs that the Poverty Action Fund supported. With support from PRSC4 the Government began to establish a national M&E system in the Office of the Prime Minister. Ownership of M&E implementation increased when the Office of the Prime Minister took over coordination of the PRSC, and other ministries recognized its right to do it, ensuring that they would carry out the actions for which they were responsible. Progress in the various sectors was monitored by the sector working groups, supplemented by a number of surveys. In its comments to the ICR for PRSC4, the Government notes that “although the policy results matrix for measuring each outcome and output and progress on indicator have been agreed upon, measuring of progress remains largely a challenge. Also, the linkage of PRSC to efforts of other Bank projects and development partners in attainment of poverty reduction and other benchmarks could further be improved.”<sup>29</sup> This review rates M&E implementation as *substantial*.

**5.16 M&E: Utilization.** The Bank carried out a stocktaking of PRSCs 1-3 with Ugandan Government officials, donors and Bank staff. The stocktaking revealed that identifying and measuring results constituted a key challenge for the PRSCs. The Bank

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<sup>27</sup> PEAP 2004/05-07/08, p. 204

<sup>28</sup> “The PRSC4 was instrumental in supporting Government effort to develop an enhanced coordination mechanism and focus on results”, ICR for a Fourth Poverty Reduction Support Operation, Report No. 35569, June 30, 2006, p. 26

<sup>29</sup> World Bank 2006, p. 26

built on this information to improve the quality of its M&E for PRSC4, an improvement evident in the Matrices for Policy Results and for Progress and Monitoring. The stocktaking exercise for PRSCs 1-3 shows that the authorities and the Bank paid attention to the information gathered and used it to guide their strategy. The steps taken show more awareness on the need to use more the information from the M&E systems in place. This review rates the utilization of M&E data as *substantial*.

5.17 This review rates overall quality of M&E as *substantial*.

5.18 **Bank Performance.** Based on the discussion on the relevance of objectives and design and the Bank's inputs into the setting up of M&E system and its utilization, this review rates Bank performance *satisfactory*.

5.19 **Borrower Performance.** The Government made an effort to improve the coordination of the PRSC4 to ensure progress with reforms. It shifted the coordination role of the PRSC process to the Office of the Prime Minister, which helped ensure the involvement of all Government stakeholders in the dialogue on the reforms that the PRSCs supported. As a result of the changes, Government and development partners improved their coordination and enhanced their dialogue on prior actions, especially those dealing with corruption, public service reform, and budget execution and management, where outcomes have tended to be weaker. These efforts did not translate into a more effective program as the Government did not deliver on several aspects that the program supported as the discussion on efficacy shows. The review rates Borrower performance *moderately unsatisfactory*.



## 6. Findings and Lessons

### What worked well

6.1 The PRSCs constituted an effective mechanism to transfer resources to Government and to support its budget. There is less clarity, though, as to whether the PRSCs constituted an effective tool to produce development results. If the PRSCs become a *de facto* instrument to transfer resources **only**, the process accompanying its preparation and the associated conditions may not be justified. If Bank assistance aims at supporting the budget and producing development results, it is pertinent to ask if making the support conditional on prior achievements of specified outcomes (e.g., growth, fiscal deficit) might not be more effective than the approach used for the PRSCs under review.

6.2 Efficacy in development results varied by area of support. Substantial results were achieved in education, health, and water and sanitation, where coverage expanded and the quality of service improved. Specifically, literacy rates in urban and rural areas rose; child and infant mortality fell but maternal mortality remained unchanged; water and sanitation services expanded their coverage, but more so in urban areas, where 13 percent of the people lives.

6.3 PRSCs reduce the constraint to the Government's budget, giving the Government more flexibility to allocate resources to sectors and activities. The support helped ensure a given level of support for the budget for education. In part as a result of the support, public expenditure in education reached about four percent of GDP.

### What did not work

6.4 Budget support is unlikely to have improved the achievement of development outcomes envisaged for the economy. The large inflow of external funds created absorption problems, which resulted in an overvalued exchange rate, higher interest rates, and higher unit labor costs in the non-traded goods sector. The traded goods sector, agriculture in particular, was disadvantaged and its potential to grow hampered. Moreover, there was little improvement in local revenue collection, probably dampening the efforts to improve governance and efficiency in public expenditure, since an increase in the taxpayer's base increases the constituency for more accountability and better governance.

6.5 More could have been done on improving efficiency in the use of public resources, improving service delivery, and promoting rural development. It is unlikely that the efficiency of public expenditures improved overall given the trends in Government employment and the allocation of expenditure. Government employment, after declining from 320,000 to 160,000 between 1990 and 1997, increased to about 220,000 by 2003 in the absence of a functional review. Public domestic expenditure expanded from 14.9 percent of GDP in 2000/01 to 17.6 percent of GDP in 2003/04, and the expansion of Government investment, 0.2 percent of GDP, was not commensurate with the foreign assistance received during the period. Actual expenditures by sectors came close to matching the allocations for PRSC1-3 but differed from the allocations,

sometimes by substantial margins, for PRSC4. Also, expenditures in defense and public administration exceeded their budget allocations, while expenditures in health, agriculture, roads, and social services fell below their budget allocations.

6.6 Regarding public service delivery, there is little evidence to suggest that service delivery improved in areas of public administration other than health, education, and water and sanitation in urban areas. Regarding rural development, the PRSCs had few interventions in agriculture, and the interventions could not alter rural welfare directly during the period they were active. Farmers' income declined and rural welfare deteriorated during the period: the proportion of rural people under the poverty line increased from 39 percent in 1999/2000 to 49 percent in 2002/03. The PRSCs might have affected agriculture indirectly, and negatively, because the assistance financed a larger level of expenditure that tended to reduce the price of traded goods (agriculture among them) relative to non-traded. Finally, it is unlikely that the PRSCs improved governance and security since neither corruption, nor the quality of bureaucracy, nor law and order improved during the period under review.

6.7 The policy matrices of the PRSCs tended to be too large and ambitious in scope. Their large size made it difficult to separate what the Bank could support with success from what it could not. Because such separation was not carried out, the Bank's program suffered from the ambiguities. A concise policy matrix compels to make evident the connection (or lack thereof) between actions and results, and imposes discipline in thinking about development outcomes and the specific actions that could generate them.

6.8 With their ambitious objectives and coverage, the PRSCs strained the Government's capacity. Carrying out the program unveiled the limited capacity of its organizations to deliver results. The Ministry of Finance, Planning and Economic Development could not force the program on the agencies executing it and ensure their ownership of it. Shifting program coordination to the Office of the Prime Minister improved the preparation and execution of PRSC4, and increased the interaction between different Government ministries and their involvement in reform. Thus, the selection of an apex agency with the proper authority is a necessary aspect for preparing and implementing PRSCs.

## Ratings

6.9 The review concludes that the PRSCs had substantial relevance and modest efficacy. The credits and grants sought to solve important problems, making the relevance of their objectives *substantial*. The design fell short of what the programs intended to achieve: the logical chain between actions and results was not specified and several of the actions selected for support could not lead to the objectives sought. The relevance of design was *modest*. This review rates overall relevance as *substantial* for all PRSCs but PRSC3 whose relevance was *modest* because of its weak design. Overall efficacy was *modest*, except for PRSC4 which was *negligible*, because the expected outcomes did not materialize even though most prior-actions and triggers were met. As a result, the review rates the outcome for PRSC1-2 *moderately satisfactory* and the outcome for PRSC3-4 as *moderately unsatisfactory*.

**Table 9. Efficacy and Outcome Rating for PRSC1, PRSC2, PRSC3 and PRSC4**

Operation	Relevance	Efficacy	Outcome
PRSC1	Substantial	Modest	Moderately Satisfactory
PRSC2	Substantial	Modest	Moderately Satisfactory
PRSC3	Modest	Modest	Moderately Unsatisfactory
PRSC4	Substantial	Negligible	Moderately Unsatisfactory

## Lessons and Recommendations

6.10 The PRSCs were effective in providing timely and predictable resources for the Government budget but less so in producing development results. To produce development results, the Bank needs to pay attention to the design of the credit, the quality of prior actions, and their relation to the expected outcomes.

6.11 PRSCs are unlikely to be as effective as investment and sector operations for solving specific sector issues. The PRSCs tended to cover macroeconomic and sector issues in a broad manner, making it difficult to cultivate ownership in the agencies responsible for implementing the program. The assistance is more likely to succeed when the Bank targets specific problems and works their solution with the agencies in charge of executing the program.

6.12 A program of budget support tends to create a higher permanent level of Government expenditure that may not be sustainable in the medium-term. Predictable budget support may create inflexibilities in expenditure, forcing donors to continue their support beyond what was needed or desirable. Uganda exemplifies this situation as the PRSC series grew over time.



## Annex A. Basic Data Sheet

### FIRST POVERTY REDUCTION SUPPORT CREDIT (CREDIT NO. 3510)

#### Key Project Data *(amounts in US\$ million)*

	<i>Appraisal estimate</i>	<i>Actual or current estimate</i>	<i>Actual as percent of appraisal estimate</i>
Total project costs	150	150	
Loan amount	--	--	--
Co-financing	--	--	--
Cancellation	--	--	--
Institutional performance	--	--	--

#### Project Costs and Financing

<i>Project cost by Tranche</i>	<i>Appraisal Estimate</i>	<i>Actual Estimate (Disbursed)</i>	<i>Percentage of Appraisal</i>
First tranche	150	150	
Second tranche	--	--	--
Third tranche	--	--	--
Total	150	150	

#### Project Dates

	<i>Original</i>	<i>Actual</i>
Initiating memorandum	--	--
Negotiations	07/10/2000	07/10/2000
Board approval	05/31/2001	05/31/2001
Signing	07/05/2001	07/05/2001
Effectiveness	11/29/2001	11/29/2001
Closing date	03/31/2002	03/31/2002

#### Staff Inputs *(staff weeks)*

<i>Stage of Project Cycle</i>	<i>Actual/Latest Estimate</i>	
	<i>No. Staff weeks</i>	<i>US\$('000)</i>
Identification/Preparation	N/A	N/A
Appraisal/Negotiations	N/A	N/A
Supervision	N/A	N/A
Completion	N/A	N/A
Total	N/A	N/A

*Note:* The current MIS does not provide information on the actual staff weeks spent during the project cycle.

**Mission Data**

Stage of Project Cycle	No. of Persons and Specialty		Performance Rating	
	Count	Specialty	Implementation Progress	Development Objective
Identification/Preparation 04/02	21	1 Lead Economist, Mission Leader 1 Sr. Social Development Specialist 1 Lead Financial Sector Specialist 1 Sr. Public Sector Specialist 3 Sr. Economists 1 Lead Private Sector Development Specialist 1 Lead Procurement Specialist 1 Financial Management Specialist 1 Sr. Financial Management Specialist 1 Lead Operations Officer 1 Rural Development Specialist 1 Transport Cluster Leader 1 Sr. Highway Engineer 1 Highway Engineer 1 Lead Counsel 4 Consultants		
9/02	13	1 Leader 1 Sr. Social Development Specialist 1 Lead Financial Sector Specialist 1 Sr. Public Sector Specialist 1 Sr. Operations Officer 1 Sr. Health Specialist 1 Sr. Economist 1 Lead Procurement Specialist 1 Procurement Specialist 1 Financial Management Specialist 1 Rural Development Specialist 1 Lead Education Specialist 1 Sr. Management Consultant		
10/02	33	1 Lead Economist, Mission Leader 1 Sr. Social Development Specialist 1 Sr. Environmental Specialist 1 Financial Management Specialist 1 Lead Financial Sector Specialist 4 Sr. Economists 1 Lead Education Specialist 1 Sr. Public Sector Specialist 1 Sr. Operations Officer 1 Health Specialist 1 Sr. Health Specialist 1 Private Sector Development Specialist 1 Lead Private Sector Development Specialist 1 Sr. Private Sector Development Specialist 1 Lead Procurement Specialist 1 Procurement Specialist 1 Sr. Rural Development Specialist 1 Lead Specialist 1 Rural Development Specialist 1 Transport Cluster Leader 1 Highway Engineer 1 Sr. Sanitary Engineer 1 Sr. Financial Analyst 1 Lead Counsel 1 Sr. Evaluation Officer 5 Consultant		
02/03	9	1 Lead Economist, Mission Leader 1 Financial Management Specialist 1 Sr. Public Sector Specialist 1 Sr. Economist 1 Lead Procurement Specialist 1 Rural Development Specialist 3 Consultants		
Appraisal/Negotiation 3/03	24	1 Lead Economist, Mission Leader 1 Sr. Social Development Specialist 1 Lead Financial Sector Specialist 1 Sr. Public Sector Specialist 1 Sr. Operations Officer 1 Sr. Health Specialist 3 Sr. Economist 1 Lead Procurement Specialist 1 Procurement Specialist 1 Financial Management Specialist 1 Sr. Rural Development Specialist 1 Lead Specialist 1 Rural Development Specialist 1 Transport Cluster Leader 1 Sr. Sanitary Engineer 1 Sr. Financial Analyst 1 Lead Counsel 5 Consultant		
06/03	7	1 Lead Economist, Mission Leader 1 Lead Counsel 1 Sr. Management Consultant 1 Adviser 1 Consultant 1 Program Assistant 1 Team Assistant		
Supervision 10/04	2			
ICR	3			

## SECOND POVERTY REDUCTION SUPPORT CREDIT (CREDIT NO. 3696)

### Key Project Data (amounts in US\$ million)

#### Financial

	<i>Appraisal estimate</i>	<i>Actual or current estimate</i>	<i>Actual as percent of appraisal estimate</i>
Total project costs	150	150	100
Loan amount	150	150	100
Co-financing	--	--	--
Cancellation	--	--	--
Institutional performance	--	--	--

### Project Costs and Financing

<i>Project cost by Tranche</i>	<i>Appraisal Estimate</i>	<i>Actual Estimate (Disbursed)</i>	<i>Percentage of Appraisal</i>
First tranche	150	150	100
Second tranche	--	--	--
Third tranche	--	--	--
Total	150	150	100

### Project Dates

	<i>Original</i>	<i>Actual</i>
Initiating memorandum	--	--
Negotiations	1/28/2002	1/28/2002
Board approval	7/23/2002	7/23/2002
Signing	08/07/2002	08/07/2002
Effectiveness	3/12/2003	3/12/2003
Closing date	06/30/2003	06/30/2003

### Staff Inputs (staff weeks)

<i>Stage of Project Cycle</i>	<i>Actual/Latest Estimate</i>	
	<i>No. Staff weeks</i>	<i>US\$('000)</i>
Identification/Preparation	61.6	189.9
Appraisal/Negotiations	165.9	466.5
Supervision	--	--
Completion	--	--
Total	227.5	656.4

### Mission Data

Stage of Project Cycle	No. of Persons and Specialty		Performance Rating	
	Count	Specialty	Implementation Progress	Development Objective
Identification/Preparation 04/02	21	1 Lead Economist, Mission Leader 1 Sr. Social Development Specialist 1 Lead Financial Sector Specialist 1 Sr. Public Sector Specialist 3 Sr. Economists 1 Lead Private Sector Development Specialist 1 Lead Procurement Specialist 1 Financial Management Specialist 1 Sr. Financial Management Specialist 1 Lead Operations Officer 1 Rural Development Specialist 1 Transport Cluster Leader 1 Sr. Highway Engineer 1 Highway Engineer 1 Lead Counsel 4 Consultants		
9/02	13	1 Leader 1 Sr. Social Development Specialist 1 Lead Financial Sector Specialist 1 Sr. Public Sector Specialist 1 Sr. Operations Officer 1 Sr. Health Specialist 1 Sr. Economist 1 Lead Procurement Specialist 1 Procurement Specialist 1 Financial Management Specialist 1 Rural Development Specialist 1 Lead Education Specialist 1 Sr. Management Consultant		
10/02	33	1 Lead Economist, Mission Leader 1 Sr. Social Development Specialist 1 Sr. Environmental Specialist 1 Financial Management Specialist 1 Lead Financial Sector Specialist 4 Sr. Economists 1 Lead Education Specialist 1 Sr. Public Sector Specialist 1 Sr. Operations Officer 1 Health Specialist 1 Sr. Health Specialist 1 Private Sector Development Specialist 1 Lead Private Sector Development Specialist 1 Sr. Private Sector Development Specialist 1 Lead Procurement Specialist 1 Procurement Specialist 1 Sr. Rural Development Specialist 1 Lead Specialist 1 Rural Development Specialist 1 Transport Cluster Leader 1 Highway Engineer 1 Sr. Sanitary Engineer 1 Sr. Financial Analyst 1 Lead Counsel 1 Sr. Evaluation Officer 5 Consultant		
02/03	9	1 Lead Economist, Mission Leader 1 Financial Management Specialist 1 Sr. Public Sector Specialist 1 Sr. Economist 1 Lead Procurement Specialist 1 Rural Development Specialist 3 Consultants		
Appraisal/Negotiation 3/03	24	1 Lead Economist, Mission Leader 1 Sr. Social Development Specialist 1 Lead Financial Sector Specialist 1 Sr. Public Sector Specialist 1 Sr. Operations Officer 1 Sr. Health Specialist 3 Sr. Economist 1 Lead Procurement Specialist 1 Procurement Specialist 1 Financial Management Specialist 1 Sr. Rural Development Specialist 1 Lead Specialist 1 Rural Development Specialist 1 Transport Cluster Leader 1 Sr. Sanitary Engineer 1 Sr. Financial Analyst 1 Lead Counsel 5 Consultant		
06/03	7	1 Lead Economist, Mission Leader 1 Lead Counsel 1 Sr. Management Consultant 1 Adviser 1 Consultant 1 Program Assistant 1 Team Assistant		
Supervision 10/04	2			
ICR	3			

**THIRD POVERTY REDUCTION SUPPORT CREDIT (CREDIT NO. CH0630);****Key Project Data** (amounts in US\$ million)*Financial*

	<b>Appraisal estimate</b>	<b>Actual or current estimate</b>	<b>Actual as percent of appraisal estimate</b>
Total project costs	150	150	100
Loan amount	150	150	100
Co-financing	--	--	--
Cancellation	--	--	--

**Project Costs and Financing**

<b>Project cost by Tranche</b>	<b>Appraisal Estimate</b>	<b>Actual Estimate (Disbursed)</b>	<b>Percentage of Appraisal</b>
First tranche	150	150	100
Second tranche	--	--	--
Third tranche	--	--	--
Total	150	150	100

**Project Dates**

	<b>Original</b>	<b>Actual</b>
Initiating memorandum	10/03/2002	10/03/2002
Negotiations	3/27/2003	3/27/2003
Board approval	09/09/2003	09/09/2003
Signing	09/15/2003	09/15/2003
Effectiveness	02/11/2004	02/11/2004
Closing date	09/30/2004	09/30/2004

**Staff Inputs** (staff weeks)

<b>Stage of Project Cycle</b>	<b>Actual/Latest Estimate</b>							
	<b>No. of Staff weeks</b>				<b>US\$ ('000)</b>			
	<b>FY03</b>	<b>FY04</b>	<b>FY05</b>	<b>FY06</b>	<b>FY03</b>	<b>FY04</b>	<b>FY05</b>	<b>FY06</b>
Lending	50.3	114.16	37.17		293.73	623.91	110.14	
Supervision			55.15				149.78	
Total	50.3	114.16	92.32		293.73	623.91	259.92	

**Mission Data**

Stage of Project Cycle	No. of Persons and Specialty		Performance Rating	
	Count	Specialty	Implementation Progress	Development Objective
Identification/Preparation 04/02	21	1 Lead Economist, Mission Leader 1 Sr. Social Development Specialist 1 Lead Financial Sector Specialist 1 Sr. Public Sector Specialist 3 Sr. Economists 1 Lead Private Sector Development Specialist 1 Lead Procurement Specialist 1 Financial Management Specialist 1 Sr. Financial Management Specialist 1 Lead Operations Officer 1 Rural Development Specialist 1 Transport Cluster Leader 1 Sr. Highway Engineer 1 Highway Engineer 1 Lead Counsel 4 Consultants		
9/02	13	1 Leader 1 Sr. Social Development Specialist 1 Lead Financial Sector Specialist 1 Sr. Public Sector Specialist 1 Sr. Operations Officer 1 Sr. Health Specialist 1 Sr. Economist 1 Lead Procurement Specialist 1 Procurement Specialist 1 Financial Management Specialist 1 Rural Development Specialist 1 Lead Education Specialist 1 Sr. Management Consultant		
10/02	33	1 Lead Economist, Mission Leader 1 Sr. Social Development Specialist 1 Sr. Environmental Specialist 1 Financial Management Specialist 1 Lead Financial Sector Specialist 4 Sr. Economists 1 Lead Education Specialist 1 Sr. Public Sector Specialist 1 Sr. Operations Officer 1 Health Specialist 1 Sr. Health Specialist 1 Private Sector Development Specialist 1 Lead Private Sector Development Specialist 1 Sr. Private Sector Development Specialist 1 Lead Procurement Specialist 1 Procurement Specialist 1 Sr. Rural Development Specialist 1 Lead Specialist 1 Rural Development Specialist 1 Transport Cluster Leader 1 Highway Engineer 1 Sr. Sanitary Engineer 1 Sr. Financial Analyst 1 Lead Counsel 1 Sr. Evaluation Officer 5 Consultant		
02/03	9	1 Lead Economist, Mission Leader 1 Financial Management Specialist 1 Sr. Public Sector Specialist 1 Sr. Economist 1 Lead Procurement Specialist 1 Rural Development Specialist 3 Consultants		
Appraisal/Negotiation 3/03	24	1 Lead Economist, Mission Leader 1 Sr. Social Development Specialist 1 Lead Financial Sector Specialist 1 Sr. Public Sector Specialist 1 Sr. Operations Officer 1 Sr. Health Specialist 3 Sr. Economist 1 Lead Procurement Specialist 1 Procurement Specialist 1 Financial Management Specialist 1 Sr. Rural Development Specialist 1 Lead Specialist 1 Rural Development Specialist 1 Transport Cluster Leader 1 Sr. Sanitary Engineer 1 Sr. Financial Analyst 1 Lead Counsel 5 Consultant		
06/03	7	1 Lead Economist, Mission Leader 1 Lead Counsel 1 Sr. Management Consultant 1 Adviser 1 Consultant 1 Program Assistant 1 Team Assistant		
Supervision 10/04	2			
ICR	3			

## Other Project Data

<i>FOLLOW-ON OPERATIONS</i>			
<i>Operation</i>	<i>Credit no.</i>	<i>Amount (US\$ million)</i>	<i>Board Date</i>
Uganda Poverty Reduction Support Credit 5	41420	135	01/17/2006
UG-Uganda Poverty Reduction Support Credit 6	42960	125	03/26/2007
Uganda - Seventh Poverty Reduction Support Credit	44310	200	05/06/2008

## FOURTH POVERTY REDUCTION SUPPORT CREDIT (GRANT NO. H1220-UG)

### Key Project Data (amounts in US\$ million)

#### Financial

	<i>Appraisal estimate</i>	<i>Actual or current estimate</i>	<i>Actual as percent of appraisal estimate</i>
Total project costs	150	155.30	100
Loan amount	--	--	--
Co-financing	--	--	--
Cancellation	--	--	--

### Project Costs and Financing

<i>Project cost by Tranche</i>	<i>Appraisal Estimate</i>	<i>Actual Estimate (Disbursed)</i>	<i>Percentage of Appraisal</i>
First tranche	150	150	100
Second tranche	--	--	--
Third tranche	--	--	--
Total	150	150	100

### Project Dates

	<i>Original</i>	<i>Actual</i>
Initiating memorandum	10/07/2003	10/07/2003
Negotiations	03/15/2004	03/15/2004
Board approval	09/02/2004	09/02/2004
Signing	12/01/2004	12/01/2004
Effectiveness	02/28/2005	02/28/2005
Closing date	09/30/2005	09/30/2005

### Staff Inputs (staff weeks)

<i>Stage of Project Cycle</i>	<i>Actual/Latest Estimate</i>	
	<i>No. Staff weeks</i>	<i>US\$('000)</i>
Identification/Preparation	--	--
Appraisal/Negotiations	202	1031.74
Supervision	55	149.7
Completion	--	--
Total	257	1181.44

Note: Appraisal/negotiation includes identification and preparation as well.

**Mission Data**

Stage of Project Cycle	No. of Persons and Specialty		Performance Rating	
	Count	Specialty	Implementation Progress	Development Objective
Identification/Preparation October-2003	21	2 economist, 2 monitoring and evaluation specialist, 3 public sector specialist, 3 procurement specialist, 1 financial management specialist, 2 rural development specialist, 2 private sector specialist, 1 health specialist, 2 land specialist, 1 operation officer and 2 TTL.		
Appraisal/Negotiation March 2004	23	2 Senior Economist, 3 public sector specialist, 2 procurement specialist, 1 monitoring and evaluation specialist, 1 financial and private sector specialist, 1 financial management specialist, 2 land specialist, 2 agriculture and rural development specialist, 1 environmental specialist, 1 road sector specialist, 1 education specialist, 2 health specialist, 1 gender specialist, 1 safe guard specialist, TTL and one operations officer.		
Supervision Dec 2004-February 2004	2	TTL and 1 operation officer		
ICR March 2004-June 2004	3	1 Economist, 3 consultants		



SUB-OBJECTIVES/ ACTION AREAS	ISSUE	ACTIONS			PLANS IN PRSC1		OUTCOMES	
		PRSC 1, March 2002	PRSC2 April 15, 2002	PRSC 3, April 1, 2003	PRSC4, March 2004	PRSC 2 March 2002		PRSC 3 March 2003
Results-orientation	Sector plans and expenditure programs are input-oriented.	Roads, education, health and water/sanitation sectors have introduced output targets and monitoring of results in 2000/01 - 2002/03 Budget Framework Paper (BFP).	No condition	No condition	not applicable	Justice, law and order sector introduces output/ outcome measures and targets in 2001/02 -2003/04 BFP.	Majority of sectors incorporate output and outcome measures and targets in 2002/03-2004/05 BFP.	Sector plans and expenditure programs are output/outcome-oriented.
		Not applicable	Not applicable			MOFPED and MOPS align OOB and ROM initiatives.		
Financial Sector:			Not applicable	No condition				

## Annex Table B2: POLICY MATRIX BY PILLAR – PILLAR II

### PEAP/PRSP PILLAR II – ENSURING GOOD GOVERNANCE AND SECURITY

PRSC Objective B: Improve Service Delivery through Cross-Cutting Reforms

- Overall outcome (verification):
1. Increased access and usage of public services (public service delivery surveys)
  2. Reduction in corruption in public services (national integrity surveys)

SUB-OBJECTIVES/ ACTION AREAS	ISSUE	ACTIONS					OUTCOMES	
		PRSC 1, March 2001	PRSC2 April 15, 2002	PRSC 3, April 1, 2003	PRSC4, March 2004	PRSC 2 March 2002		PRSC 3 March 2003
<b>B1. IMPROVE MANAGEMENT SYSTEMS AND PRACTICES IN THE PUBLIC SECTOR</b>								
Public Service Management	Pay systems and practices are inconsistent with capacity building and performance. Pay for professional and managerial staff is not competitive. (PRC1)	MOPS and MoFPED have agreed on objectives and principles of a pay reform strategy consistent with MTEF and improved service delivery.	Cabinet has approved and published the pay strategy consistent with MTEF and improved public sector performance	MoPS and MoFPED have agreed on target salary adjustments in line with the pay reform strategy, and the associated wage bill reflected in MTEF	MoPS and MoFPED effect salary adjustments for FY 2003/04 consistent with the pay reform strategy and MTEF.	Cabinet approves and publishes the pay strategy consistent with MTEF and improved service delivery. MOPS effects salary adjustments aligned with the strategy.	MOPS effects salary adjustments consistent with the pay strategy and linked to performance.	GOU better able to recruit, motivate and retain skilled staff.
	Pay levels uncompetitive for professional and managerial staff, and inconsistent with capacity building and performance (PRSC3)							
Public Procurement	Public service reform has not yet yielded major improvements in service delivery (PRSC2)	MOPS, in consultation with stakeholders, has developed a draft strategic framework, reflecting lessons learned, for the new phase of public service reform.	MOPS, in collaboration with line ministries, has submitted preliminary findings on cost effectiveness and efficiency of employment/staff utilization in social sectors	MOPS and MoFPED will have completed a comprehensive draft policy paper on issues, measures and modalities for controlling the size of public administration and ensuring cost efficiency and effectiveness of the establishment in social sectors, and discussed this with social sector ministries.				
	Rapid expansion in public administration/service threatening to jeopardize the achievements of the public service reform (PRSC3)							
Public Procurement	Legal and regulatory framework requires modernization	Minister of Finance has issued a new procurement regulation for	MoFPED has tabled Procurement Bill in Parliament	Enactment of the Procurement Bill with provisions ensuring competition in selection of	By May 2004 the Ministry of Local Government will have submitted to Cabinet the draft Local	Minister of Finance tables Procurement Bill in Parliament.	Modernized legislation and regulatory framework.	

SUB-OBJECTIVES/ ACTION AREAS	ISSUE	ACTIONS				PLANS IN PRSC1		OUTCOMES
		PRSC 1, March 2001	PRSC 2 April 15, 2002	PRSC 3, April 1, 2003	PRSC 4, March 2004	PRSC 2 March 2002	PRSC 3 March 2003	
Financial Management	Legal and institutional framework outdated.  Lack of coordination in M&E and proliferation of work plans and reporting formats	MOFPED has established coordination mechanism for guiding and monitoring reform programs in financial management	MOFPED has tabled new Public Finance Bill in Parliament	Enactment of the Public Finance and Accountability Bill.	Government Procurement & Disposal of Assets Regulations and proposals to amend the Local Government Act, particularly on those issues relating to the appointment and removal of the tender boards members in the Local Governments.	MOFPED revises treasury instructions and financial regulations.	Legislation and regulatory environment reflect current budget system and comply with GAAP.	
		No condition	Not applicable	Not applicable	No conditions	MOLG has harmonized local Government procurement regulations with central Government.		
Monitoring and Evaluation (M&E)	Lack of coordination in M&E and proliferation of work plans and reporting formats	No condition	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	

**B2: INCREASE TRANSPARENCY, PARTICIPATION AND REDUCE CORRUPTION**

SUB-OBJECTIVES/ ACTION AREAS	ISSUE	ACTIONS				PLANS IN PRSC1			OUTCOMES
		PRSC 1, March 2001	PRSC2 April 15, 2002	PRSC 3, April 1, 2003	PRSC4, March 2004	PRSC 2 March 2002	PRSC 3 March 2003	PRSC 3 March 2003	
Transparency	Limited access to public information to empower citizens to demand greater accountability. (PRSC 1-3)	No condition	Parliament has passed the Leadership Code and IGG Statutes Bill.	IGG has issued to appointing authorities letters for disciplinary action against Ministers, Presidential Advisors, Permanent Secretaries, Directors, and Uganda Revenue Authority officials who have failed to declare their income, assets, and liabilities, and appropriate action has been taken in accordance with the law.	The Inspector General (IG) completes analysis of declared assets and information collected from key categories of leaders, investigates all complaints from the public received by his office by November 1 2003, and presents a time bound action plan for the implementation of the leadership code.				
	Accountability for decentralized public spending is weak. (PRSC1)		Most Ministers, Presidential Advisors, Permanent Secretaries, Directors and Uganda Revenue Authority officials have submitted to the Inspectorate General of Government their statement of income, assets, and liabilities						
Civil Society Participation	Limited transparency and accountability of both NGO and Government service delivery entities.	No condition	No conditions	No conditions	No conditions			No conditions	
Detection, Investigation and Prosecution of Corruption Cases.	Corrupt acts not exposed and sanctioned effectively	Minister of Ethics and Integrity has gazetted and tabled Leadership Code Bill 2000 and Inspectorate of Government 2000 Bill in Parliament.	No condition	No conditions	No conditions	IGG ensures open citizen access to leader asset declarations. Leaders who fail to complete asset declarations are sanctioned, including disqualification from office.		Reduced opportunities for corruption.	
Legal and Judicial Reform	Weak capacity of the criminal justice system to process cases effectively and efficiently.	No condition	No conditions	No conditions	No conditions			Not applicable	
	Weak enforcement of commercial contracts								

## Annex Table B3

## PEAP/PRSP Pillar III – Directly Increasing the Ability of the Poor to Raise their Incomes

## PRSC Objective B: PROMOTION OF ENABLING ENVIRONMENT FOR RURAL DEVELOPMENT (from PRSC2&amp;3)

Overall outcome (verification):  
 1. Increased access and usage of agricultural and rural services (household and national service delivery surveys)  
 2. Increased proportion of household agricultural production sold (household survey)  
 3. Reduced environmental degradation (data from MoWLE and Forestry Department)

SUB-OBJECTIVES/ ACTION AREAS	ISSUE	ACTIONS				PLANS IN PRSC1				PLANS IN PRSC3	OUTCOMES in PRSC1
		PRSC 1, March 2001	PRSC2 April 15, 2002	PRSC 3, April 1, 2003	PRSC4, March 2004	PRSC 2 March 2002	PRSC 3 March 2003	PRSC 4 April 2004			
None from PRSC1	GOU is currently working to operationalize its Plan of Modernization of Agriculture	PRSC 1, March 2001	PRSC2 April 15, 2002	PRSC 3, April 1, 2003	PRSC4, March 2004	PRSC 2 March 2002	PRSC 3 March 2003	PRSC 4 April 2004			
		No condition PRSC1 does not include actions and outputs under the third PEAP/PRSP pillar.	Not applicable	Not applicable	Not applicable	PRSC2 will include actions and outputs under the third PEAP/PRSP pillar in the following areas: Agricultural research and extension, access to rural finance and markets, sustainable natural resource use and management, and private sector development	PRSCIII will include actions and outputs under the third PEAP/PRSP pillar in the following areas: Agricultural research and extension, access to rural finance and markets, sustainable natural resource use and management, and private sector development				
Research and Technology	Limited responsiveness and impact of agricultural research.	No conditions	MAAIF has completed a draft institutional review of public funding of agricultural	No conditions	No conditions	MAAIF, with broad consultation, completes and endorses a new	MAAIF puts in place legal and institutional arrangements for the		Publicly supported agricultural research is more		

SUB-OBJECTIVES/ ACTION AREAS	ISSUE	ACTIONS				PLANS IN PRSC1				PLANS IN PRSC3 PRSC 4 April 2004	OUTCOMES in PRSC1
		PRSC 1, March 2001	PRSC2 April 15, 2002	PRSC 3, April 1, 2003	PRSC4, March 2004	PRSC 2 March 2002	PRSC 3 March 2003	PRSC 3 March 2003	PRSC 4 April 2004		
Agricultural Advisory Services	Access to and effectiveness of agricultural advisory services limited	research.	No conditions	No conditions	No conditions	strategy for agricultural research and initiates its implementation.	implementation of the strategy.			responsive and effective.	
			No conditions	No conditions	No conditions					Improved quality of and access to agricultural advisory services	
Rural Finance	Government-directed credit programs undermine microfinance and rural financial market development	MoFPED has tabled Microfinance Deposit-taking Institutions Bill in Parliament that enables licensing of microfinance institutions.	No conditions	No conditions	No conditions					Financially sustainable microfinance institutions.	
			No conditions	No conditions	No conditions	No direct Government credit programs (re)established.					
Agro-processing and Marketing	Agro-processing and marketing constraints inhibit domestic sales and exports of agricultural products.	No conditions	No conditions	No conditions	No conditions	MoFPED, MoTTI and MAAIF agree on agro- processing and marketing strategies for strategic exports.	Government begins implementing the strategies.			Increased revenues from agricultural exports.	
			No conditions	No conditions	No conditions	MoWLE and district Governments implement the LSSP.				More effective use and management of land resources (through more secure tenure rights,	
Natural Resource Management: Land	Implementation of the 1998 Land Act provisions to address land tenure insecurity and conflict resolution unaffordable and require prioritization.	Cabinet has approved the Land Sector Strategic Plan (LSSP) to implement the 1998 Land Act	No conditions	No conditions	No conditions						
			No conditions	No conditions	No conditions						

SUB-OBJECTIVES/ ACTION AREAS	ISSUE	ACTIONS				PLANS IN PRSC1	PLANS IN PRSC3 PRSC 4 April 2004	OUTCOMES in PRSC1
		PRSC 1, March 2001	PRSC2 April 15, 2002	PRSC 3, April 1, 2003	PRSC4, March 2004			
Natural Resource Management: Environment	Inadequate integration of environmental sustainability concerns in Government programs.	No conditions	MoFPED and MoWLE have agreed on financial and institutional arrangements for the implementation of Land Sector Strategy Plan (LSSP).	MoWLE and Public Service Commission have completed recruitment of staff for the LSSP implementation division.	PRSC 3, April 1, 2003	PRSC 4, March 2004	PRSC 2 March 2002 PRSC 3 March 2003 PRSC 4 April 2004	reduced conflicts and transparent land markets)
		No conditions	MoWLE have agreed on financial and institutional arrangements for the implementation of Land Sector Strategy Plan (LSSP).	MoWLE and Public Service Commission have completed recruitment of staff for the LSSP implementation division.	PRSC 3, April 1, 2003	PRSC 4, March 2004	PRSC 2 March 2002 PRSC 3 March 2003 PRSC 4 April 2004	
District Roads	Financing for NEMA is not within MTEF.	No conditions	MoWLE, MoFPED, MoLG, and MAAIF have agreed with other stakeholders on the scope of a review on implementation arrangements for improving integration of environmental concerns in all Government programs.	MoWLE establishes annual evaluation of previous year's pilot projects on systematic demarcation, land adjudication, and land adjustment.	PRSC 3, April 1, 2003	PRSC 4, March 2004	PRSC 2 March 2002 PRSC 3 March 2003 PRSC 4 April 2004	Sustainable authority for environmental management
		No conditions	MoWLE, MoFPED, MoLG, and MAAIF have agreed with other stakeholders on the scope of a review on implementation arrangements for improving integration of environmental concerns in all Government programs.	MoWLE establishes annual evaluation of previous year's pilot projects on systematic demarcation, land adjudication, and land adjustment.	PRSC 3, April 1, 2003	PRSC 4, March 2004	PRSC 2 March 2002 PRSC 3 March 2003 PRSC 4 April 2004	

SUB-OBJECTIVES/ ACTION AREAS	ISSUE	ACTIONS				PLANS IN PRSC1		PLANS IN PRSC3 PRSC 4 April 2004	OUTCOMES in PRSC1
		PRSC 1, March 2001	PRSC2 April 15, 2002	PRSC 3, April 1, 2003	PRSC4, March 2004	PRSC 2 March 2002	PRSC 3 March 2003		
	Inadequate network of district roads.	PRSC 1, March 2001 MoWHC and district Governments have agreed on policy and strategy for planning, construction and maintenance of district roads.	PRSC2 April 15, 2002	PRSC 3, April 1, 2003	PRSC4, March 2004	PRSC 2 March 2002	PRSC 3 March 2003	PRSC 4 April 2004	Increased accessibility in rural areas.
						MoWHC and district Governments develop proposals to establish technical offices to assist in implementation of the strategy for district and feeder roads.			
						MoWHC and district Governments start developing a 10-year District Road Investment Program.	MoWHC and district Governments implement the investment program.		
Improved Environmental Sustainability (Outcome 6 of PRSC4)		Not applicable	Not applicable	Not applicable	No conditions				
Improved Enabling Environment for Transition from Subsistence to Commercial Agriculture (Outcome 7 of PRSC4)		Not applicable	Not applicable	Not applicable	No conditions				

**Annex Table B4**  
**PEAP/PRSP Pillar IV – Directly Increasing the Quality of Life**  
**PRSC Objective C: Improve Delivery of Basic Services**

- C1. IMPROVE QUALITY OF EDUCATION**  
 Overall outcomes (verification):  
 1. Universal primary education (annual data from education management information system).  
 2. Improved learning outcomes in primary education (biannual national assessment of progress in education).

SUB-OBJECTIVES/ ACTION AREAS	ISSUE	ACTIONS				PLANS IN PRSC1		OUTCOMES in PRSC1	OUTCOMES in PRSC4
		PRSC1, March 2001	PRSC2 April 15, 2002	PRSC3, April 1, 2003	PRSC4, March 2004	PRSC2 March 2002	PRSC3 March 2003		
Joint Government-Donor Education Sector Review		Satisfactory implementation of undertakings agreed in the education sector review of April 2000 was confirmed by October 2000 review.	Satisfactory implementation of undertakings agreed in education sector review in April 2001 and confirmed by October 2001 review. <sup>1</sup>	Satisfactory implementation of undertakings agreed in the education sector review in April 2002 and confirmed in the October 2002 review.	Satisfactory implementation of undertakings agreed in November 2002 and confirmed by November 2003 review	Satisfactory implementation of undertakings agreed in education sector review in April 2001 and confirmed by October 2001 review.	Satisfactory implementation of undertakings agreed in education sector review in October 2002 confirmed.	Better coordination of education policies and interventions.	Outcome 8. Universal Primary Education Achieved
Primary Education	The number of primary teachers is significantly less than available funding allows due to recruitment difficulties, particularly in remote areas, and inefficient administrative procedures.	MOPS, MOES and MOLG have launched a national recruitment campaign for 15,000 new teachers.	No condition			MOES in collaboration with MOPS, MOFPED, MOLG and districts recruit, deploy and add to the payroll at least 20,000 additional teachers, given pupil-teacher ratio target and attrition.	All districts fill at least 95 percent of their established staffing ceiling.	Achievement of the target for pupil-teacher ratio.	
Cost-Efficiency	Cost-efficiency measures needed to reach the targets within resource envelope	No condition	No condition	No condition					
<b>C2. IMPROVE QUALITY OF HEALTH CARE</b>	<b>Overall outcomes (verification):</b> 1. Increased satisfaction with health care services (national service delivery surveys and periodic national poverty assessments). 2. Increased access and usage of health care services (national service delivery surveys).								
Joint Government-Donor Health Sector Review		Satisfactory implementation of undertakings agreed in the joint	Satisfactory implementation of undertakings agreed in health	Satisfactory implementation of undertakings agreed in the	Satisfactory implementation of the undertakings agreed in the health	Satisfactory implementation of undertakings agreed in health	Satisfactory implementation of undertakings review in April 2002 and confirmed by October 2002 review.	Satisfactory implementation of the health	Outcome 9. Reduced child mortality, better maternal health,



SUB-OBJECTIVES/ ACTION AREAS	ISSUE	ACTIONS				PLANS IN PRSC1			OUTCOMES in PRSC1	OUTCOMES in PRSC4
		PRSC1, March 2001	PRSC2 April 15, 2002	PRSC3, April 1, 2003	PRSC4, March 2004	PRSC2 March 2002	PRSC3 March 2003	PRSC4 April 2004		
Access to Rural Water Supply and Sanitation (WSS)	Planning and management systems in WSS function poorly for decentralized service delivery.	At least half of districts have set up a fully staffed district water and sanitation teams (DWST) with support from DWD.	MoWLE/DWD has established fully staffed technical support units (TSU).		DWD finalizes district WSS operational manual and implementation guidelines.	Key stakeholders endorse WSS sector- wide approach.	Framework for WSS sector-wide approach operational.			
					MoWLE/DWD completes reorganization and establishes fully staffed technical support units (TSU).	All districts have set up fully staffed and trained DWSTs with support from DWD.	DWSTs integrated into district establishment.			
			MoPS has approved reorganization of Directorate of Water Development (DWD) and initiated its implementation.			DWD completes an external institutional and service delivery audit of all DWSTs.				
Access to WSS in Small Towns	Inappropriate management framework for sustainable WSS services.	No condition	No conditions	No condition		Improved management framework for small town WSS.				
Access to WSS in Urban Areas (added in PRSC 2)	Inadequate regulatory framework for improved commercial operations.	No condition (not applicable to PRSC1)	MoWLE and MoFPED have selected a transaction advisor for privatizing NWSC operations		The transaction advisor prepares the legal framework for MoFPED and MoWLE to establish an asset- holding authority and appoint a regulator.	The asset-holding authority privatizes WSS operations. Arrangements and regulatory framework for private sector participation in urban WSS services established. (from PRSC2)				
	WSS services not financially sustainable	NWSC has adopted a formula for periodic tariff adjustment.	MoFPED and NWSC have agreed on a time-bound action plan to settle the existing arrears owed to NWSC and taken measures to prevent new ones.		NWSC simplifies water tariff structure to include pro-poor connection policy and safe water tariff for the poor.	NWSC operations on strong financial footing for transfer to private sector management (from PRSC3)				
Outcome 10. Improved Access to Functional Water and Sanitation Services (from PRSC 4)		Satisfactory implementation of undertakings agreed in water and sanitation sector review in September 2003 and confirmed by March 2004 review.				Outcome 10. Improved Access to Functional Water and Sanitation Services (from PRSC 4)				

## Annex C. Annex Tables

**Table 10. PRSC 1 Education Quality Indicators: Targets and Actual Values**

Indicator	Target, March 2001	Actual	Met?
Pupils per teacher	63	58	Yes
Pupils per textbook	6	n.a.	--
Pupils per classroom	121	99	Yes
Net enrollment in P7 (percent)	14	9.8. <i>c/</i>	-No-

Source:

Report No. P7442-UG, (March 23, 2001), Schedule 3;

Ministry of Finance, Planning and Economic Development, Poverty Eradication Action Plan (2004/5-2007/8), Table 7.1 ;

Ministry of Finance, Planning and Economic Development, Uganda Poverty Status Report 2003, Table 4.4

**Table 11. PRSC 1 Monitoring Indicators for Water and Sanitation: Targets and Actual Values**

Indicators	Target	Actual	Met?
<b>Rural Water Supply and Sanitation</b>			
New water systems	1,500	5,604 <i>a/</i>	Yes
Population served	350,000	700,000 <i>b/</i>	Yes
New public, school and institutional sanitation systems	450	n.a.	?
<b>Small Town Water Supply and Sanitation</b>			
Urban WSS authorities gazetted by MOWLED/DWD	15	15 <i>c/</i>	Yes
Private sector contractors	MOWLE/DWD has initiated the appointment of private sector contractors to manage the authorities.	MOWLE/DWD initiated sub-contracting of private sector contractors to manage the authorities.	Yes
<b>Urban Water Supply and Sanitation</b>			
New connections	3,100	4,040 <i>d/</i>	Yes
of which to poor households	930	n.a.	?
New sewerage connections	75	85 <i>e/</i>	Yes
NWSC Staff per 1000 connections	24	16 <i>f/</i>	Yes
Internal cash generation/capital investment	5%	n.a.	?

Source:

*a/* Government of Uganda (2003), Table 4.6

*b/* World Bank, 2002, Annex 5, p. 150, par. 126

*c/* World Bank 2002, Letter of Development Policy, p. 18, par. 69, first bullet

*d/* Government of Uganda (2003), Annex 7; the number covers two years (FY2000/01-2001/02), meaning that the new connections for PRSC1 are smaller than what the number shows

*e/* Ministry of Environment Uganda (2007) (numbers for Uganda FY 2000/01); Table 5.9 for sewerage

*f/* NWSC, Annual Report 2002-2003, Table 9; it corresponds to NWSC's fiscal year 2000/01

**Table 12. PRSC 2 Improving Quality of Education: Monitoring Indicators**

Indicator	Target	Actual	Met?
Pupil per teacher	54	58	No
Pupil per textbook	4	n.a.	?
Pupil per classroom	104	99	Yes –
Net enrolment in P7 (percent)	16	9.8	No

Source: World Bank (2001), Schedule 3 MOFPED, PEAP 2004/5-2007/8, Table 7.1; World Bank (2002) p. 119, for net enrolment in P7.

**Table 13. PRSC 2 Monitoring Indicators for Water and Sanitation: Targets and Actual Values**

Indicators	Target <sup>a/</sup>	Actual	Met?
<b>Rural Water Supply and Sanitation</b>			
New water systems	3,500	5,683 b/	Yes
Population served	820,000	n.a.	?
Public, school and institutional sanitation systems	900 new	n.a.	?
<b>Small Town Water Supply and Sanitation</b>			
Urban WSS authorities gazetted by MOWLED/DWD	30	30	Yes
Private sector contractors	MOWLE/DWD has initiated the appointment of private sector contractors to manage the authorities.	MOWLE/DWD has initiated the appointment of private sector contractors to manage the WSS authorities.	Yes
<b>Urban Water Supply and Sanitation</b>			
New connections	6,300	4,040 c/	No
of which to poor households	1,800	n.a.	?
New sewerage connections	700	95 d/	No
NWSC Staff per 1000 connections	14	12 e/	Yes
Cash generation/capital investment	22%	n.a.	?

Note:

a/ World Bank (2001), Schedule 2 b/ Government of Uganda (2003), Table 4.6; it corresponds to the numbers reported for 2001/02 as actual

c/ Government of Uganda (2003), Annex 7 in p. 148; the number covers the period FY2000/01-2001/02

d/ Ministry of Environment Uganda, Uganda Water and Sanitation Sector Performance Report 2006 (numbers for Uganda FY 2000/01); Table 5.9 for sewerage

e/ NWSC, Annual Report 2002-2003, Table 9; it corresponds to NWSC's fiscal year 2000/01

**Table 14. PRSC 3 Improving Financial Management: Monitoring Indicators**

Target	Actual	Met?
At least 60 percent of districts and urban authorities have produced annual accounts for 2001/02 within the statutory deadline of 4 months. All the remaining accounts have been submitted by March 31.	40 percent	No
OAG has audited 60 percent of districts' and urban authorities' annual accounts for 2001/02 within the statutory deadline.	46 percent	No
Directorate of Accounts has produced regular semiannual and quarterly interim financial statements within 2 months after the reporting period.	DA produced the reports	Yes

Source: World Bank (2002), Schedule 3; World Bank (2003a); Annex 2, p. 116

**Table 15. PRSC 3: Monitoring Indicators for Water and Sanitation: Targets and Actual Values**

Indicators	Target <sup>a/</sup>	Actual	Met?
<b>Rural Water Supply and Sanitation</b>			
New water systems	3,700	2,464	No
Population served	950,000	628,000	No
Public, school and institutional sanitation systems	900 new	n.a.	
<b>Small Town Water Supply and Sanitation</b>			
Urban WSS authorities gazetted by MOWLED/DWD	20	n.a.	
Private sector contractors	DWD appoints private sector management contractors to manage the urban WSS	45 percent of systems under private operator	
<b>Urban Water Supply and Sanitation</b>			
New connections	7,000	10,500	Yes
of which to poor households	2,100	3,000	Yes
New sewerage connections *	100	318	Yes
NWSC Staff per 1000 connections	11	11	Yes
Cash generation/capital investment (percent)	21	39	Yes

Note: a/ World Bank (2003a)

**Table 16. PRSC 4 Education Quality Indicators: Targets and Actual Values**

Indicator	Target	Actual	Met?
Pupils per teacher	52	58	No
Pupils per textbook (P3 & P4) a/	3	3	Yes
Pupils per classroom	92	94	No
Net enrollment in P7 (percent)	12	10.7 boys; 9.3 girls	No
Pupils reaching defined level of numeracy (percent)	Not defined.	n.a.	--
Pupils reaching defined level of literacy(percent)	Not defined	n.a.	--

Source: World Bank (2003a), Annex 3, p. 101

PEAP 2004/05-2007/08, Table 7.1;

a/ It refers to pupil core textbook ratio for primary grades 3 and 4.

**Table 17. PRSC 4. Outcome 9 – Reduced Child Mortality, Better Maternal Health, and Progress against HIV/AIDS, Malaria and other Diseases**

Indicator	Target	Actual Value	Met?
Percent of children less than 1 year old have received DPT3 vaccination.	65	83 a/	Yes
Out-of-patient department utilization per capita	0.63	0.72 c/	Non-evaluative
Percent of approved posts in Government and private not-for profit health units filled by appropriately qualified health workers	45.	n.a.	Non-evaluative
HIV prevalence rate reduced to (percent)	5.5.	6.3 b	No
Institutional deliveries in Government and private not-for profit health units (percent)	25.	24.4 a/	No

Source: World Bank (2003a), Annex 2, p. 101.

a/ World Bank (2006); Table 1 for DPT3; data for 2003/04.

b/ Ministry of Health of Uganda and ORC Macro, people aged 15-59, Table 8.3

c/ For 2002/03, from PEAP 2004/05-2007/08, Table 7.4

**Table 18. PRSC 4 Outcome 10: Improved Access to Functional Water and Sanitation Services – Progress Indicators**

Indicators	Target a/	Actual	Met?
<b>Rural Water Supply and Sanitation</b>			
New water systems	3,700	3,052 b/	No
Population served	950,000	703,620 b/	No
<b>Small Town Water Supply and Sanitation</b>			
New connections	3,000	n.a.	Non-evaluative
Percent of gazetted systems under private sector contractors (percent)	85	92 c/	Yes
Percent of towns under private operators that fully cover operating costs from system revenues	88	n.a.	Non-evaluative
<b>Urban Water Supply and Sanitation</b>			
New connections	7,000	14,045 d/	Yes
of which to poor households	2,100	n.a.	Non-evaluative
New sewerage connections	100	153 e/	Yes
NWSC Staff per 1000 connections	11	10 f/	Yes
Unaccounted for Water (percent)	36	37.6 g/	No
Cash generation/capital investment (percent)	21	n.a.	Non-evaluative

Source: a/ World Bank (2003a), Schedule 3

b/ The World Bank, (2007a), Table 6.10; the numbers refer to additional water points constructed and additional population served.

c/ 10 private operators manage 57 towns out of the 62 operational small town water supply systems. Eng Richard Cong, (2007), Uganda, p. 16

d/ NSWC, Annual Report 2005-2006, Table 8 for NSWC's fiscal year 2004/05

e/ Ministry of Environment Uganda, Uganda Water and Sanitation Sector Performance Report 2006 (numbers for Uganda FY 2003/04); Table 5.9 for sewerage

f/ NSWC, Annual Report 2004-2005, Table 4 for NSWC's fiscal year 2003/04

g/ NSWC, Annual Activity Report 2004-2005, Table 3 for NSWC's fiscal year 2003/04

**Table 19: Uganda: Fiscal Operations of the Central Government, 1998/99–2003/04 (In percent of GDP)**

	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
Total revenue and grants	16.6	17.6	19.1	19.1	19.1	22.2
Revenue	11.6	11.8	11.3	12.2	12.1	12.6
Grants	10.9	10.4	10.3	11.2	11.3	11.7
Expenditures and lending	19.3	26.7	21.8	24.4	23.4	23.9
Current expenditure	10.7	10.9	11.4	13.8	13.2	14.1
Development expenditures	7.2	8.7	9.4	9.5	9.8	9
Net lending	0	4.4	-0.3	0	-0.1	0.3
Domestic arrears repayment	1.4	1.6	1.3	1.1	0.5	0.4
Overall balance						
Including grants	-2.7	-9.1	-2.6	-5.3	-4.3	-1.7
Excluding grants	-7.7	-14.8	-10.5	-12.2	-11.3	-11.3
Domestic balance	-1.6	-8.3	-3.8	-6.4	-5.2	-5.1
Financing	2.6	9.6	3.5	4.1	4.2	1.5
External financing (net)	2.8	3.2	3.6	4.6	4.3	2.3
Domestic bank financing	0	6.1	0.5	0.2	-0.8	-1.6
Domestic nonbank financing	-0.2	0.3	-0.6	-0.7	0.6	0.8
Grants and foreign financing	13.7	13.6	13.9	15.8	15.6	14.0

Source: IMF, Uganda: Selected Issues and Statistical Appendix, IMF Country Report No. 05/172, May 2005, Table 16

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