

**AFRICAN DEVELOPMENT BANK
AFRICAN DEVELOPMENT FUND**



**THE REPUBLIC OF UGANDA
PORTFOLIO PERFORMANCE REVIEW REPORT**

**COUNTRY AND REGIONAL DEPARTMENT –EAST A (OREA)
September 2009**

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Acronyms and Abbreviations

ADB	African Development Bank
ADF	African Development Fund
APPR	Annual Portfolio Performance Review
CAIIP	Community Agricultural Infrastructure Improvement Programme
CAR	Commitment-At-Risk
CPIA	Country Policy and Institutional Assessment
CPIP	Country Portfolio Improvement Plan
CPPR	Country Portfolio Performance Review
DO	Development Objectives
EA	Executive Agency
ESW	Economic and Sector Work
GoU	Government of Uganda
HIPC	Heavily Indebted Poor Country
IEG	Independent Evaluation Group
IP	Implementation Progress
JBSF	Joint Budget Support Framework
JCAE	Joint Country Assistance Evaluation
MAAIF	Ministry of Agriculture, Animal Industry and Fisheries
MDB	Multilateral Development Bank
MDRI	Multilateral Debt Relief Initiative
MFPED	Ministry of Finance, Planning and Economic Development
NDP	National Development Plan
NIMES	National Integrated Monitoring and Evaluation Strategy
NSC	National Steering Committee
NTF	Nigeria Trust Fund
OAG	Office of the Auditor General
OPEV	Operations Evaluation Department
OPM	Office of the Prime Minister
PAF	Poverty Action Fund
PAR	Projects-At-Risk
PDU	Procurement Disposal Units
PEAP	Poverty Eradication Action Plan
PIU	Project Implementation Unit
PMUs	Project Management Units
PP	Problem Project
PPDA	Public Procurement and Disposal of Public Assets Agency
PPP	Potentially Problematic Project
PSC	Projects Steering Committee
RAFU	Road Agency Formation Unit
TC	Technical Committee
UA	Unit of Account
UETCL	Uganda Electricity Transmission Company Limited
UGFO	Uganda Field Office
UGX	Uganda Shillings
UJAS	Uganda Joint Assistance Strategy
UNRA	Uganda National Roads Authority
USD	United States Dollars
VAT	Value Added Tax

CURRENCY EQUIVALENTS

(Exchange rates as at 31 July 2009)

1 UA = 1.488 USD = 1.399 EUR

1 UA = 3328 UGX

1 USD = 2252.21 UGX

1 EUR = 3035.05 UGX

FISCAL YEAR

July 1 to June 30

Definitions

Implementation Progress	Rating based on actual performance with compliance of conditions, procurement, financial management and progress on activities and outputs
Development Objective	Rating based on expected sustainability and outcomes of the project
Disbursement Rate	Total disbursements for project / Total portfolio commitments
Disbursement Ratio	Ratio of disbursements during the reporting period / Un-disbursed commitments of the Bank's portfolio at the end of the previous period
Problem Project	Number of projects with an IP or a DO rating below 1.5
Potentially Problematic Project	Number of projects with an IP or DO rating equal to or greater than 1.5, but with two or more risk flags
Projects at Risk	Number of projects that are at risk (PPP and PP) / Total number of projects in the portfolio
Commitments at Risk	Value of projects that are at risk/Total value of the portfolio
Age	Time elapsed from Board approval to-date
Effectiveness	Time elapsed from approval to effectiveness

Executive Summary

This report reviews the performance of the Bank Group's portfolio in Uganda as at 31 July 2009 and is a joint effort of the Bank's Uganda Field Office (UGFO) and Government of the Republic of Uganda. The objectives of the review are to: (i) inform Board Members about the performance of the Bank's on-going portfolio in Uganda; (ii) identify specific and generic issues affecting project implementation; and (iii) formulate relevant recommendations for portfolio improvement.

As at 31 July 2009, thirteen (13) public sector operations and one (1) private sector operation were on-going, with a total commitment value of UA 431.97 million, out of which, UA 169.02 million had been disbursed, representing a cumulative disbursement rate of 39.13%. In comparison, the 2007 CPPR depicted a total country portfolio comprising thirteen (13) on-going operations—all in the public sector—with a total commitment value of UA 308.80 million, and a cumulative disbursement rate of 19.60%. Accordingly, the volume of operations funded by the Bank Group in Uganda has increased by 40% since the last 2007 CPPR. Also, the average size of the Bank Group operations in Uganda increased by 30%, from UA 23.75 million in 2007, to UA 30.85 million as at 31 July 2009. The portfolio structure has also changed since 2007, reflecting the Bank Group's strategic focus on infrastructure. Although the agricultural sector received the bulk of financing in both 2007 and 2009, the transport sector accounted for 33% of the total commitment value in 2009 compared to 20% in 2007.

The 2009 CPPR indicates that Uganda's ongoing portfolio has: (i) a satisfactory cumulative disbursement rate (39.13%) and annual disbursement ratio (25.1%) compared to Bank wide target of 25% for the overall public sector portfolio; (ii) one private sector operation, accounting for 16.8% the total commitment value; (iii) an average age of 3.1 years, which is less than the Bank-wide average of 4.1 years; and (iv) a satisfactory overall performance rating (2.4) compared to 2.2 in 2007. However, one (1) operation is classified as potentially problematic (PPP) and one (1) as problematic project (PP)—both in the agriculture sector. The proportion of projects-at-risk (PAR) is 14.3%, which is less than the Bank Group target of 25% while commitments-at-risk (CAR) stands at 3.8%, also below the 2007 Bank Group average of 39%.

Uganda's portfolio, however, faces a number of challenges that are continuously being addressed by both the GoU and the Bank. They include: (i) deficient implementation capacity, including, limited technical capacity of PIUs, insufficient PIUs staffing levels, and inadequate counterpart funds; (ii) delayed Parliamentary ratification of Bank approved projects and therefore delayed processing of Government legal opinions; (iii) limited understanding of the various Bank policies and procedures; (iv) weak M&E systems including lack of capacity at the project level to execute M&E tasks; and (v) limited Government oversight functions as reflected in the irregularity of meetings of project steering committees, delays in submitting project audit reports and progress reports, delays in submitting annual work programs and budgets, delays in the release

of counterpart funding and lack of appropriate Government participation in supervision of project implementation. At the Bank level, the portfolio performance is also affected by: (i) inadequate delegation of authority to UGFO—for instance the procurement approval limit of USD 50,000 impedes response times to project/programme related requests; (ii) less than recommended supervision missions and inadequate skills mix of supervision teams; (iii) limited training and other capacity building initiatives conducted by the Bank for project staff, particularly in financial management, procurement, and M&E; and (iv) absence of a fiduciary officer and a social sector expert at UGFO to support the fiduciary function and provide adequate oversight to the social sector portfolio.

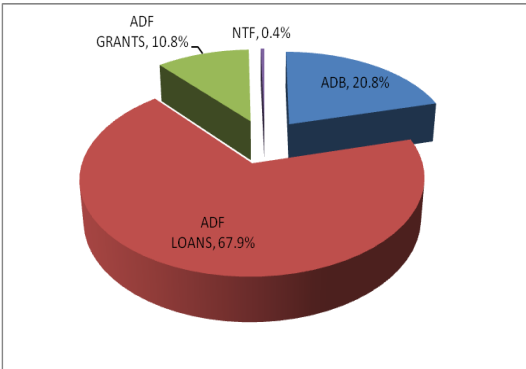
As part of this review, a Country Portfolio Improvement Plan (CPIP) has been agreed between the GoU and the Bank. The CPIP will focus mainly on: (i) improving procurement and financial management/disbursement processes; (ii) ensuring that government's loan ratification processes are expedited to improve quality at entry of projects; (iii) improving the number and quality of project supervision processes; (iv) strengthening the government's monitoring and evaluation processes; (v) increasing government's staff capacity on environmental and socio safeguards; (vi) Reviewing the Bank's Delegation of Authority to UGFO; and (vii) ensuring that sufficient funds are budgeted for and released on time for requisite counterpart financing for projects. A detailed action plan has been agreed between the GoU and the Bank to ensure that these issues are resolved or at least their effects minimized.

1.0 Introduction

1.1 This report reviews the performance of the Bank Group’s portfolio in Uganda as at 31st July, 2009. The report is based on the findings of a desk review, survey of both Project Implementation Units (PIUs)/ Executing Agencies (EAs) and Task Managers, and a joint Government and African Development Bank portfolio review workshop held on 22 September 2009. The Bank’s last Country Portfolio Performance Review (CPPR) Report for Uganda was presented to the Board of Directors for consideration in April 2007. The objectives of the 2009 CPPR are to: (i) inform Board Members about the performance of the Bank’s on-going portfolio in Uganda; (ii) identify specific and generic issues affecting project implementation; and (iii) formulate relevant recommendations for portfolio improvement. Unlike the 2007 CPPR, both public and private sector operations are examined in this review, in accordance with the 2007 Annual Portfolio Performance Portfolio (APPR).

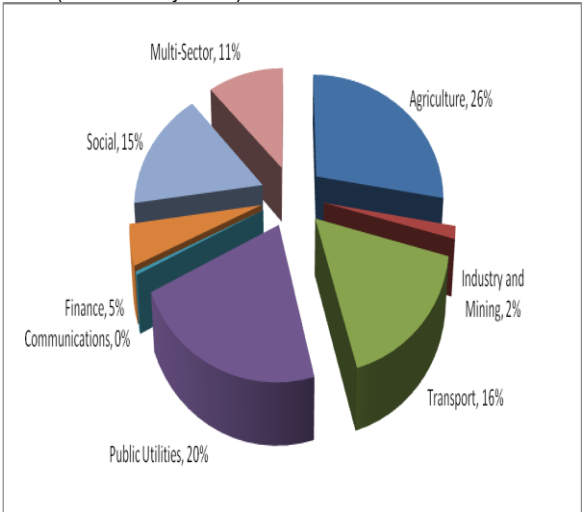
1.2 Since commencement of operations in Uganda in 1968 and as at 31 July 2009, the Bank Group had approved loans and grants for 89 operations for a net total amount of UA 1.124 billion, of which, UA 233.86 million originated from ADB resources, UA 885.65 million from ADF Resources, of which UA 121.67 million were grants, and UA 4.83 million from NTF resources. Figure 1 shows the composition of different sources of finance for Uganda’s Portfolio.

Fig 1. Composition and Commitment by Source since 1968 (as at 31 July 2009)



1.3 Private sector loans for the period 1968 – 31 July 2009 amounted to UA 127 million, representing 12% of net commitments. Figure 2 depicts the portfolio composition and commitment by sector since 1968 (up to 31 July 2009). Figure 2 also demonstrates that the bulk of Bank resources in the Uganda portfolio have been committed to the agriculture and rural sector (26%), public utilities (20%), transport (16%), and the social sector (15%).

Fig 2. Composition and Commitment by Sector since 1968 (as at 31 July 2009)



- 1.4 The current portfolio reflects the Bank Group's strategy for Uganda, which draws on the Uganda Joint Assistance Strategy (UJAS), covering the period 2005 to 2009. The objective of the UJAS is to articulate a harmonized response to the country's Poverty Eradication Action Plan (PEAP) and its successor, the National Development Plan (NDP)¹, as well as other development aspirations. The Bank Group's specific support is tied to two pillars of the PEAP: (i) enhancing production, competitiveness and incomes, and (ii) human development.
- 1.5 The on-going portfolio has the following common characteristics: (i) satisfactory cumulative disbursement rate (39.13%) and annual disbursement ratio (25.1%) compared to Bank wide targets of 25% for the overall public sector portfolio; (ii) one private sector operation, accounting for 16.8% the total commitment value in 2009, and (iii) an average age of 3.1 years, which is less than the Bank-wide average of 4.1 years.

2.0 Overall Review of On-going Operations

A. Key Characteristics of Ongoing Projects

A.1 Portfolio Structure

- 2.1 Presently, Uganda is a loan only country. This classification was attained in January 2007, following the progressive and effective implementation of the Heavily Indebted Poor Country (HIPC) and Multilateral Debt Relief Initiatives (MDRI)². The Bank's portfolio in Uganda comprises both public sector operations funded from ADF resources and private sector operations funded through the ADB private sector window. Public sector operations include both national and regional projects—particularly in infrastructure.
- 2.2 As at 31 July 2009, fourteen operations (public and private) were on-going, with a total commitment value of UA 431.97 million, out of which, UA 169.02 million had been disbursed, representing a cumulative disbursement rate of 39.13%. In comparison, the 2007 CPPR depicted a total country portfolio comprising thirteen (13) on-going operations—all in the public sector—with a total commitment of UA 308.80 million, and a cumulative disbursement rate of 19.60%. Accordingly, the volume of operations funded by the Bank Group in Uganda has increased by 40% since the last CPPR published in April 2007. Also, the average size of Bank Group

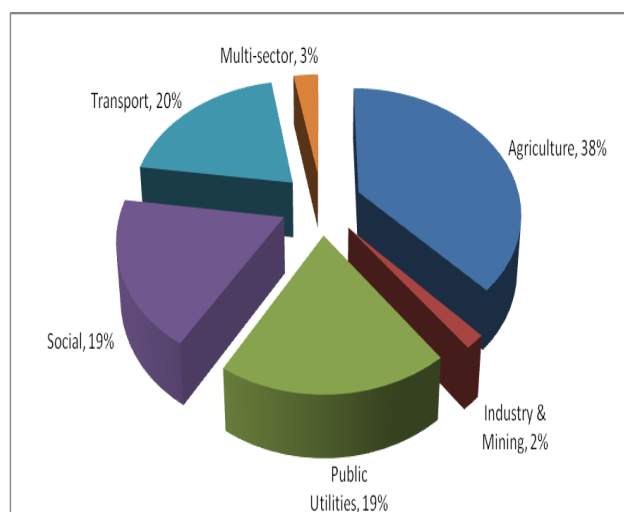
¹ The 5-year National Development Plan is expected to be finalized by the end of 2009 and will replace the PEAP (a 3-year planning framework).

² Following progressive and effective implementation of the HIPC and MDRI initiatives, Uganda was upgraded in 2007 in terms of debt classification by both International Development Agency/World Bank and ADF/ADB due to good debt sustainability indicators.

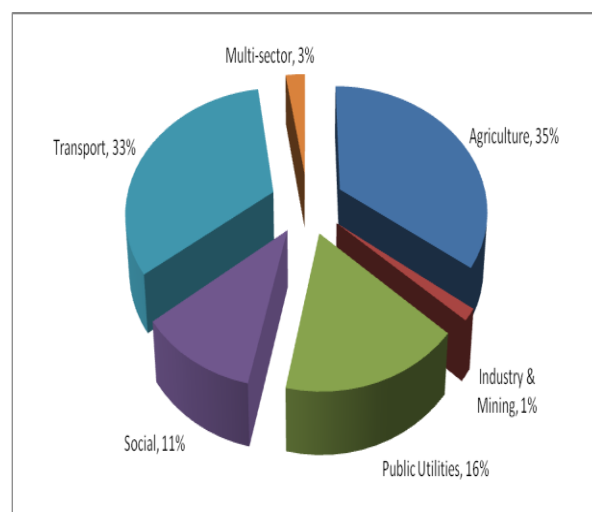
operations in Uganda increased by 30%, from UA 23.75 million in 2007, to UA 30.85 million as at 31 July 2009.

2.3 The structure of Uganda’s portfolio has also changed since the last CPPR in 2007, reflecting the Bank Group’s strategic focus on infrastructure. Figure 3 compares the sectoral distribution of Uganda’s portfolio in 2007 and 2009. As shown in Figure 3, the agricultural sector received the bulk of the financing in both 2007 and 2009, although there has been a relative shift of resources from agriculture, social sectors and public utilities in 2007 to the transport sector in 2009. The transport sector accounted for 33% of the total commitment value in 2009 compared to 20% in 2007. This trend is consistent with the Bank Group’s strategy in Uganda, which calls for a balanced approach of investing in agriculture and infrastructure development, so as to promote production, competitiveness and incomes.

Figure 3: Active Portfolio Composition and Commitment by Sector, 2007 Versus 2009



Source: SAP Data as at 30 November 2006



Source: SAP Data as at 31 July 2009

A.2 The On-Going Portfolio

2.4 The Bank Group’s on-going portfolio in Uganda comprised thirteen (13) public and one (1) private sector operation, with a total commitment value of UA 359.80 million, UA 72.72 million, respectively, as at July 31 2009 (see Table 1 and Annex I). Uganda’s on-going portfolio has only one private sector project, the *Bujagali Hydro Power Project*.

Table 1. Structure of the On-going Bank Portfolio in Uganda: 2007 versus 2009

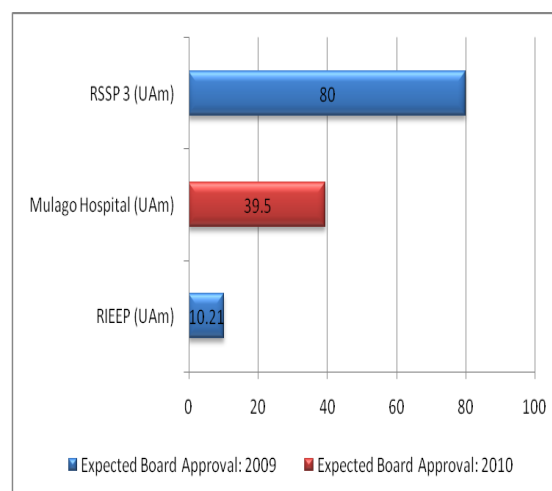
Sector	2007			2009		
	Operations	UA million	%	Operations	UA million	%
Agriculture and Rural Development	5	117.23	38	5	126.75	29
Public Utilities	2	58.41	19	2	59.21	14
Transport	1	61.49	20	2	119.49	28
Social	3	57.32	19	2	40	9
Multi-sector	1	9.00	3	1	9	2
Industry & Mining	1	5.35	2	1	5.35	1
Sub-Total Public sector	13	308.8	100	13	359.8	83
Private Sector	0	0	0	1	72.17	17
Sub-Total Private sector	0	0	0	1	72.17	17
Total	13	308.80	100	14	431.97	100%

Source: SAP Data as at 31 July 2009

A.3 New Approvals and pipeline

2.5 The ADF XI country allocation for 2008-10 was reduced by UA 7.79 million due to a drop in portfolio performance, and now amounts to UA 348.08 million. Going forward, GoU should address project start-up bottlenecks, including delays in obtaining Parliamentary approval and Government's legal opinion on approved projects, so as to avoid future reductions in Uganda's ADF allocation. As at July 2009, there were three pipeline operations still being processed for Board presentation, as shown in Figure 4. Six projects in the pipeline for 2008-2010 amounting to UA 219 million were approved between November 2008 and July 2009 (see Annex 1).³

Fig 4 Pipeline Operations



REEIP = Rural Income and Employment Enhancement Project, RSP 3 = Upgrading the Nyakahita-Ibanda-Kamwenge and Rushere-Rwakitura access Road project, and Mulago Hospital= Rehabilitation of Mulago Hospital.

³ The Road Sector Support Project 3 was recently approved in September 2009.

B. General Assessment of Portfolio Performance

- 2.6 Portfolio performance is currently rated satisfactory, with an overall assessment of 2.4, showing a slight improvement compared to 2.2 in 2007 (see Table 2)⁴. However, there are still systemic problems with the portfolio. With one (1) operation classified as potentially problematic (PPP) and one (1) as problematic project—both of which are in the agriculture sector, the proportion of projects-at-risk (PAR) is 14.3%, which is less than the Bank Group target of 25%. Commitments-at-risk (CAR) stand at 3.8%, which is also below the 2007 Bank Group average of 39%.
- 2.7 The portfolio of the water and sanitation sector, with one sector budget support operation, has the highest average performance rating of 2.8. The following **best practices** have contributed to these superior ratings: (i) use of country systems ensured the alignment of the Rural Water Supply and Sanitation programme with Local Government activity plans which expedited procurement and disbursement processing as well as the implementation of the programme activities; (ii) joint sector and technical annual reviews conducted jointly by Government and development partners enabled tracking of performance and timely identification of solutions to implementation challenges; (iii) adoption of value for money audits to improve financial management; (iv) decentralization of the rural grant, which contributed to the growth of the private sector in all Local Governments; and (v) implementation of programme activities via the Sector Wide Approach (SWAp) increased community participation and enhanced ownership, thereby contributing to project sustainability.
- 2.8 The overall agriculture sector portfolio rating is 2.4, in spite of the presence of one (1) PPP and one (1) PP. These problematic projects are largely due to poor project management. For instance, the unsatisfactory performance of the Creation of Sustainable Tsetse and Trypanosomiasis Free Areas Project (PP) is due to poor project management by the PCU, particularly during the initial stages of the project. A Bank supervision mission during the initial stages of the project recommended that the first project coordinator be replaced, but this took some time to be effected. The project team lacked the requisite cost management skills (see 2.11) coupled with initial hesitance to carry out the project activities, citing insufficient funds. These factors have contributed to delays in project implementation.

⁴ The overall assessments exclude ratings for the Road Sector Support Project II because this operation was not disbursement effective as at 31 July 2009.

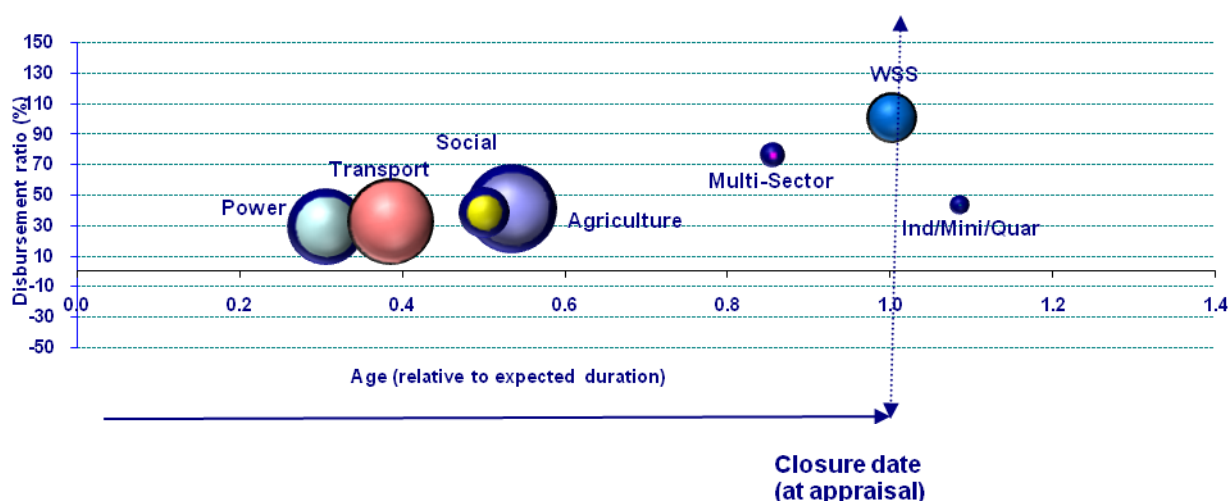
Table 2: Key Characteristics of Uganda's On-going Portfolio

Sector	Project Name	Net Commitments (UAm)	Disbursement Amount (UAm)	Cumulative Disbursement Rate (%)	Overall Assessment (Supervision Rating)	Project age (in years)	Projects at risk
Agriculture	National Livestock Productivity Improvement Project	26.54	22.75	87.05	2.44	5.4	PPP
	Farm Income Enhancement And Forest Conservation Project	41.42	14.15	34.16	2.23	3.5	
	Fisheries Development Project	22.00	13.56	61.64	2.65	6.3	
	Community Agricultural Infrastructure Improvement Programme (CAIIP1)	30.00	3.45	11.50	2.87	1.9	
	Uganda - Creation of Sustainable Tsetse and Trypanosomiasis Free Areas	6.79	0.63	9.62	1.75	3.6	PP
Agric. Sub Total		126.51	54.54	40.53	2.39	4.1	
Ind/Mini/Quar	Mineral Resources Management and Capacity Building Project	5.35	2.30	42.99	2.18	4.6	
Ind/Mini/Quar. Sub Total		5.35	2.30	42.99	2.18	4.6	
Multi-Sector	Inst. Support For Good Governance	9.00	6.85	76.11	2.18	4.4	
Multi-Sect. Sub Total		9.00	6.85	76.11	2.18	4.4	
Power	Bujagali Interconnection Project	19.21	5.04	26.24	2.44	1.5	
	Bujagali Hydropower Project	72.72	22.87	31.45	2.81	1.6	
Power Sub Total		91.93	27.91	28.84	2.63	1.6	
Social	Education III -Support to Post-Primary Education	20.00	9.25	46.25	2.69	3.6	
	Support To Health Sector Strategic Plan Project	20.00	5.85	29.25	2.67	2.2	
Social. Sub Total		40.00	15.10	37.75	2.68	2.9	
Transport	Road Sector Support Project 1	28.50	27.36	96.00	2.11	3.9	
	Road Sector Support Project 2	58.00	0.00	0.00		1.0	
	Road Sector Support Project (Supplement Loan)	32.99	0.00	0.00	2.11	2.0	
Transport Total		119.49	27.36	32.00	2.11	2.7	
Water Sup/Sanit	Rural Water Supply & Sanitation Program	40.00	40.00	100.00	2.88	3.6	
WSS Sub Total		40.00	40.00	100.00	2.88	3.6	
Grand Total	(including ADB Loan)	431.97	169.02	39.13	2.43	3.15	
Grand Total	(excluding ADB Loan [Bujagali Hydropower])	359.80	146.15	40.62	2.41	3.14	

RATINGS: 3 = Highly Satisfactory, 2 = Satisfactory, 1 = Unsatisfactory, 0 = Highly Unsatisfactory, '-' = Non applicable

2.9 As at 31 July 2009, the cumulative disbursement rates for the entire on-going portfolio—both public and private sector operations—was 39.13%. For public sector operations only, it was 40.62%. On an annual basis, the disbursement ratio for the entire on-going portfolio was 25.1%, which is equal to the Bank Group’s annual disbursement ratio and target of 25%. A comparison of the portfolio disbursement rate with the relative project age for Uganda’s on-going public sector portfolio reveals that, after accounting for project age, multi-sector, water and sanitation, and industry/ mining/quarrying projects are the least disbursing operations (see Figure 5). Overall, Uganda’s on-going portfolio is healthy, with an average age⁵ of 3.1 years, which is less than the Bank-wide average of 4.1 years

Fig.5: % disbursed versus relative age for Uganda's on-going Portfolio



Notes:

- (a) Bubble size = volume of commitments
- (b) Relative age = time elapsed between date of effectiveness and estimated duration at appraisal. The disbursement rates do not necessarily reflect implementation rates
- (c) Transport portfolio contains one operation that is not yet effective as at 31 July 2009

2.10 Procurement is rated satisfactory, with an overall assessment of 2.6 (see Table 3), up from 2.3 in 2007. The improved procurement performance is also reflected across all sectors, with sectoral performance ranging from 2.5 for utilities, social, and multi sectors to 3.0 for the transport sector. **The highly satisfactory performance exhibited by the transport sector can be explained by the numerous reforms undertaken in Uganda’s road sector, including the establishment of the Uganda Road Agency Formation Unit (RAFU) and its successor the Uganda National Roads Authority (UNRA) as well as the restructuring of the Ministry of Works and Transport. However, several challenges still need to be addressed in the road sector, including capacity constraints,**

⁵ Average age refers to the simple average of time elapsed from project effectiveness to 31st July 2009.

weaknesses in public financial management (PFM), especially compliance with PFM regulations, strengthening external scrutiny and audit, and weak performance monitoring systems.

Table 3: Summary of Portfolio Performance by Sector and Project

Project Name Sector	Conditions/ Project Implementation	Procurement Performance	Financial Performance	Activities & output	Impact on development	Overall assessment
NATIONAL LIVEST. PRODUCTIVITY IMPROVEMENT	1.5	3	2.25	2.25	3	2.44
COMMUNITY AGR. INFRASTRUCTURE IMPROVEMENT	3	2.5	2.8	3	3	2.87
FARM INCOME ENHANCEMENT AND FOREST CONSERVATION	2.33	2.5	2.71	2	2	2.23
FISHERIES DEVELOPMENT PROJECT	3	3	2.7	2.38	2	2.65
CREATION OF SUSTAINABLE TSETSE AND TRYPANOSOMIASIS FREE AREAS	3	1.5	2	1.33	1	1.75
Agriculture	2.57	2.50	2.49	2.19	2.20	2.39
MINERAL RESOURCES MGT AND CAPACITY BUILDING	2.67	2.5	2.67	2	1.5	2.18
Industry/Minning/Quarrying	2.67	2.5	2.67	2	1.5	2.18
INST. SUPPORT FOR GOOD GOVERNANCE	2	2.5	2.4	2	2	2.18
Multisector	2	2.5	2.4	2	2	2.18
BUJAGALI INTERCONNECTION PROJECT	2	2.5	2.4	2	3	2.44
BUJAGALI HYDROPOWER PROJECT	3	3	3	2.25	3	2.81
Power	2.5	2.75	2.7	2.13	3	2.63
RURAL WATER SUPPLY & SANITATION PROGRAM	2.67		2.6	3	3	2.88
Water Supply and Sanitation	2.67		2.6	3	3	2.88
EDUCATION III -SUPPORT TO POST-PRIMARY EDUCATION	2.67	2.5	2.5	2.75	3	2.69
SUPPORT TO HEALTH SECTOR STRATEGIC PLAN II	3	2.5	2.67	2.25	3	2.67
Social	2.84	2.50	2.59	2.50	3.00	2.68
ROAD SECTOR SUPPORT PROJECT I	2	3	2.6	1.25	2	2.11
Transport	2	3	2.6	1.25	2	2.11
Total	2.46	2.63	2.58	2.15	2.39	2.43

3 = Highly Satisfactory, 2 = Satisfactory, 1 = Unsatisfactory, 0 = Highly Unsatisfactory, ' ' = Non applicable

*Table 3 excludes ratings for the Road Sector Support Project II because this operation was not disbursement effective as at 31 July 2009.

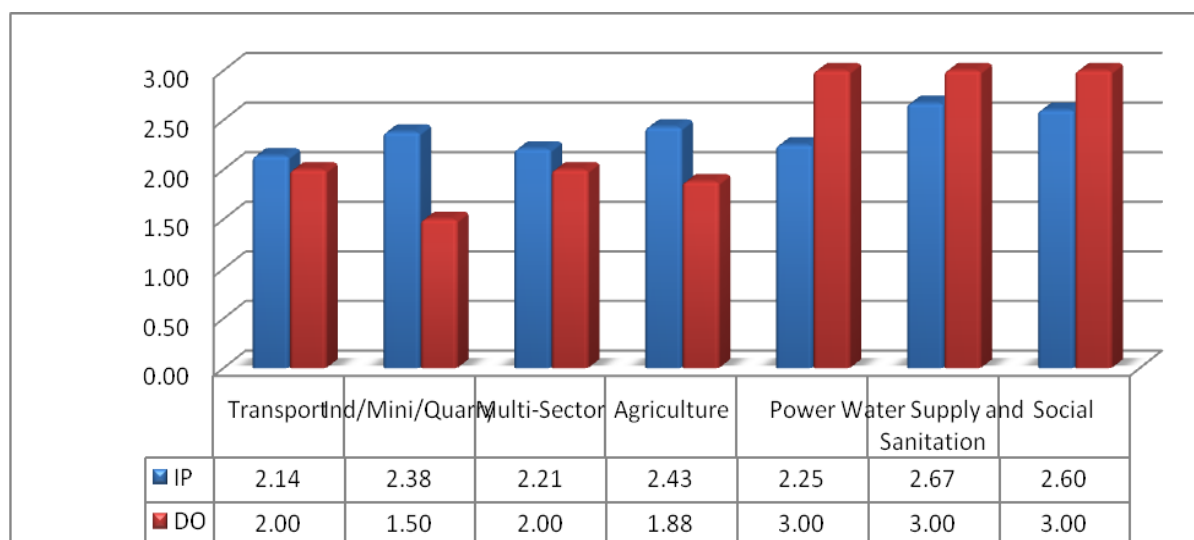
2.11 Financial performance is rated satisfactory as well, with an overall rating of 2.6. The Power sector has the highest assessment rating of 2.7 and this is due to an efficient project monitoring committee and a competent EA—Uganda Electricity Transmissions Company Limited (UETCL). However, the Creation of Sustainable Tsetse and Trypanosomiasis Free Areas project has the lowest financial performance rating at 2.0, due to shortfalls in cost management. The Tsetse fly project relied upon GoU staff to maintain project accounts, particularly at

project commencement. However, these GoU staff lacked the requisite cost management skills while engaging in other primary GoU responsibilities, thereby limiting the time devoted to the project’s activities. A new project coordinator was appointed while a new project accountant and a procurement officer were recruited in 2008 to address these shortcomings. These changes have contributed to a slight improvement in project implementation.

2.12 The quality of the project financial statements submitted to the Bank has improved during the review period relative to 2007. However, timeliness of the submission of these reports remains a challenge, with financial statements being received after the recommended period of 6 months following the end of the financial year. For instance, for the year ended June 2008, financial statements for 20% of the on-going operations were received between 13 to 49 days after the recommended Bank deadline.

2.13 Figure 6 illustrates the Implementation Progress (IP), Development Objectives (DO) of the projects by sector. The power and water and sanitation sectors are ranked highest using both the IP and DO ratings. **These superior IP and DO ratings are due to several factors including rigorous supervision, quality at entry, and implementation structures for these projects.** For example, the operations in the utilities sector were supervised 2.0 times during 2008, which is above the Bank Group target of 1.5.

Fig.6. Implementation Progress (IP) and Development Objective (DO) by Sector



- 2.14 The DO ratings for the agriculture sector (1.9) and the Mineral Resource Management and Capacity Building Project (MRMCBP) (1.5) are less than satisfactory. **The unsatisfactory DO rating for the MRMCBP can be explained by the numerous challenges encountered during implementation including** (i) inaccurate cost estimates at appraisal resulting in increased cost of the works, (ii) a dedicated PIU was only established on the request of the lenders and the PIU took an additional year to be familiar with the project; and (iii) high staff turnover due to the meagre remuneration offered by the Government. **Some of these challenges have been addressed.** For instance, the World Bank, one of the project's co-financiers, has approved an additional loan of US\$ 15 million to meet part of the increased costs of the project. However, it is important that the Government provides competitive working conditions for PIU staff. The less than satisfactory ratings for the agriculture sector are due to the presence of the two problematic projects in the agriculture portfolio.
- 2.15 The low DO and IP ratings for the multi sector Institutional Support Project for Good Governance (ISPGG) **can be attributed to coordination problems—between the PCU and the five implementing agencies—and limited project supervision.** The ISPGG has five cooperating institutions (implementing agencies) and each of them has a component manager who is also a member of the project Technical Committee (TC). The project TC is obligated to meet on a monthly basis, or as regularly as required. A National Steering Committee (NSC) comprising Permanent Secretaries/Heads of Implementing Agencies and chaired by the Permanent Secretary/Secretary to the Treasury is supposed to meet quarterly to review project implementation progress reports and provide policy oversight. Both the TC and NSC meetings have not been held as regularly as required, leading to poor coordination and delays in resolving time bound project issues. In addition, the relatively limited Bank supervision⁶ has exacerbated these delays and also allowed opportunities for collusion, conflict of interest and violations of Bank procurement policies on various project contracts⁷. **The Bank has responded to these problems by stepping up the supervision missions for this project.** Two supervision missions were undertaken in June and August 2009 and one more is scheduled to be done before the end of the year.
- 2.16 In summary, improving overall portfolio performance necessitates addressing the several constraining factors. Although some of these factors are project specific, as indicated above, a survey of PIUs and Tunis based Task Managers reveals several constraining factors that cut across numerous projects/ programmes and these include:

(a) Start-up delays which can be solved by adopting a readiness filter;

⁶ Since it became effective in March 2005, this UA 9 million project has been supervised by the Bank 4 times as at 31 July 2009— once by OSGE and three times by UGFO.

⁷ During the last one and half years, the ISPGG has had 5 contracts pertaining to the Ministry of Local Government referred to the IG who ordered the re-constitution of Evaluation Committees. The procurement process for one contract pertaining to the Inspectorate of Government has been rejected by the Bank and a request has been made for the entire process to be re-launched.

- (b) Implementation delays which can be addressed by: (i) improving quality-at-entry with proper analysis of institutions responsible for project implementation and addressing capacity constraints and institutional weaknesses; (ii) enhancing the quality of supervision by increasing emphasis on frequency of supervision, ensuring adequate skills mix, timing and duration of missions; and (iii) maintaining high quality-at-exit by establishing M&E systems to monitor progress and generate lessons of experience for future operations.
- (c) Enhancing the oversight responsibility of the Borrower, in terms of functionality of the PSCs and Ministry of Finance, through institutional and technical capacity building; and
- (d) Fiduciary and environmental safeguard issues, including audit, procurement financial management and compliance with environmental standards. The recent establishment of a procurement and financial hub in Ethiopia is expected to alleviate fiduciary constraints faced by field offices in the region. Environmental concerns could also be mitigated by relocating an environmental specialist to a regional hub.

C. Projects Requiring Close Attention

2.17 Table 4 summarizes major characteristics of the one (1) PPP and the one (1) PP in the country portfolio. Although the National Livestock Productivity Improvement Project is potentially problematic, it has a satisfactory rating. This seeming contradiction mainly emanates from the fact that it suffered a start-up delay of 24 months due to delayed Parliamentary ratification and submission of legal opinion. In addition, the project did not have a fulltime project coordinator and accountant as was specified in the loan agreement. It was not until the mid-term review that this shortcoming was rectified and a project accountant recruited on a competitive basis and is being paid with proceeds from the loan. The Bank and the Government also agreed to provide responsibility allowances to the Government staff in the project. In addition, the scope of the project was considerably modified to align the project activities to the available resources while retaining the development objectives as set at appraisal. These efforts have contributed to the project implementation progress. As shown in Table 4, the cumulative disbursement rate is at 87.7% within three years of effective implementation and all the civil works have been awarded. The project was due to close in December 2009 but the the Government and the Bank have agreed to an extension of one year to enable smooth conclusion of the contracts.

Table 4: Selected Characteristics of Projects Requiring Close Attention

Sector	Project Name	Net Commitments (UAm)	Cumulative Disbursement Rate (%)	IP Rating	DO Rating	Overall Assessment (Supervision Rating)	CAR (UAm)	Project age (in years)
A	National Livestock Productivity Improvement Project (PPP)	26.54	87.72	2.40	2.00	2.44	3.8	5.4
	Creation of Sustainable Tsetse and Trypanosomiasis Free Areas (PP)	6.79	9.62	2.00	1.00	1.75	6.2	3.6

3 = Highly Satisfactory, 2 = Satisfactory, 1 = Unsatisfactory, 0 = Highly Unsatisfactory, '-' = Non applicable

2.18 The Creation of Sustainable Tsetse and Trypanosomiasis Free Areas Project is part of the multinational project in six countries namely Ethiopia, Kenya, and Uganda (in East Africa) and Burkina Faso, Ghana, and Mali (in West Africa). The Uganda component has suffered from slow implementation mostly because of lack of proper management and leadership. The bank and the Government have made considerable efforts to improve on the management including designating a new Project Coordinator and recruiting a new Project Accountant and a new Procurement Officer, both of whom are being paid from the proceeds of the loan. The cumulative disbursement rate has improved considerably to 9.62% at 3.6 years of age of the project. Although it is rated satisfactory, the project is classified as problematic. Given that most of the resources for establishing the baseline data and embarking on activities to eliminate the tsetse flies and the disease in the project area have been procured, it is expected that project implementation will improve substantially within the remaining lifetime of the project.

D. Comparison of Country Portfolio Performance Indicators

2.19 Uganda's portfolio has exhibited improvement as shown in Table 5. For instance, there was a reduction in the time lapse between approval and effectiveness from 11 to 10 months between 2007 and 31 July 2009. The cumulative disbursement rate increased from 19.6% to 39.1% during the same period. On an annual basis, the disbursement ratio increased slightly from 24.8% to 25.1%, which is equivalent to the 25% Bank Group average for 2007. Average project size has also increased, while PAR and CAR have declined, leading to a discernable improvement in the overall portfolio performance assessment from 2.2 in 2007 to 2.4 as at July 31 2009.

Table 5. Comparative Performance Indicators

Performance Indicators		Uganda 2007	2007 APPR	Uganda 2009 (as at 31 July 2009)	World Bank in Uganda 2008
Implementation and Impact	Project Cycle from Approval to Effectiveness (Months)	10.9	10.6	10.0	10.1
	Average Project Age (years)	4.3	4.2	3.1	3.51
	Cumulative Disbursement Rate (%)	19.6	n/a	39.1	25.2
	Annual Disbursement Ratio (%)	24.8	25.0	25.1*	n/a
	Average Project Size (in million UA)	25.7	20.2	30.1	45.8
	Projects' Overall Assessment (Rating 0-3 scale)	2.2	n/a	2.4	n/a
	Commitment at Risk -- CAR (%)	34	39.0	3.8	15.8
	Projects at Risk -- PAR (%)	28.6	45.0	14.3	13.6
	Problematic Projects -- PP (% of on-going projects)	0	7.0	7.1	13.6
	Supervision (number of times per operation)	1.8	1.2	1*	2.5
Harmonization and Alignment	% Support relying on RMCs PFM and Proc. Systems	7.7	n/a	7.1	36
	% Aid provided as Programme-based Approaches	13.0	n/a	11.1	n/a
	Number of co-financed Projects (%)	7.7	n/a	14.3	4
	Number of Parallel PIUs	1	n/a	n/a	n/a
	Total no. of active ESW	0	n/a	2*	7

Notes: 2007 APPR refers to Bank-wide averages for APPR 2007; *2008 data; World Bank data were provided by the World Bank Uganda Country Office.

2.20 Meanwhile, project supervision decreased between 2007 and 2008⁸, falling below the Bank Group target of 1.5 supervisions per operation per year. The average number of supervisions per operation decreased from 1.8 in 2007 to 1.0 in 2008, which is well below the Bank Group target. In addition, only 37% of operations—in the agriculture and energy sectors—eligible for supervision in 2008 were supervised at least 1.5 times, which is below the Bank Group average of 42% for 2006 and 2007. The improved performance of the portfolio in 2008 relative to 2007, in spite of the reduced project supervision, can be partly attributed to the improved effectiveness and staffing of the Field Office, which greatly enhanced processing efficiency and project implementation. The effectiveness of the project teams in improving the project quality-at-entry, particularly by ensuring a reduction in conditions precedent to first disbursement, also contributed to the improved portfolio performance.

2.21 Harmonization and alignment of Bank group support to Uganda improved only slightly between 2007 and 31 July 2009, largely on account of Government of Uganda's preference for the project mode as a mechanism for financing Bank operations. The number of co-financed operations has increased from 7.7% in 2007

⁸ Evaluation of supervision missions is done for 2007 and 2008 to allow comparison with Bank wide averages

to 14.3% as at 31 July 2009. Although still less than the World Bank's Economic and Sector Work (ESW) volume, the Uganda Field Office and OREA conducted two ESW in 2008, an improvement over 2007 when no ESW was done.

- 2.22 As shown in Table 5, the Bank Group's portfolio in Uganda performed better than the World Bank's in several respects, including average project age, disbursement rate, commitments at risk, and the share of co-financed projects. However, the Bank Group's portfolio is lagging behind that of the World Bank in terms of projects at risk, project supervision, use of country public finance management and procurement systems and ESW. These findings call for enhanced project supervision, increased harmonization and alignment, as well as increased knowledge products by the Bank Group.

3.0 Assessment of Management Implementation and Coordination with Other Development Partners

A. Management Implementation Capacity

- 3.1 At the Government Level: Portfolio performance during the review period was impeded by: (i) deficient institutional implementation capacity, limited technical capacity of PIUs, insufficient staffing levels, and inadequate funds for project management; (ii) inadequate Government leadership and/ or commitment—which contributed to delays in obtaining parliamentary ratification of approved projects and Government legal opinion on the same; (iii) limited understanding of the various Bank policies and procedures; (iv) weak M&E systems including lack of capacity at the project level to execute M&E tasks; and (v) limited Government oversight function as reflected in the irregularity of meetings of project steering committees, delays in submitting project audit reports and progress reports, delays in submitting annual work programs and budgets, delays in the release of counterpart funding and lack of Government participation in supervision of the project implementation.
- 3.2 At Bank Group level: The following contributed to a slowdown in project implementation during the period under review: (i) inadequate delegation of authority to UGFO—for instance the procurement approval limit of USD 50,000 impeded response times to project/ programme related requests; (ii) less than recommended supervision missions and inadequate skills mix of supervision teams; (iii) limited training and other capacity building initiatives conducted by the Bank for project staff, particularly in financial management, procurement, and M&E; and (iv) absence of a fiduciary/ social sector expert at UGFO to support the fiduciary function and provide adequate oversight to the social sector portfolio.

B. Coordination with Development Partners

- 3.3 The Uganda Joint Assistance Strategy (UJAS) is the primary aid coordination framework amongst Development Partners (DPs) and between DPs and the Government. Within the UJAS, the Bank Group's development strategy for Uganda is anchored on two of the five pillars of the PEAP: enhancing production, competitiveness and incomes (Pillar 2) and human development (Pillar 5). This selection of the two pillars for Uganda was consistent with the principles enshrined in the Bank's Medium-Term Strategy (2002-2007) and its Vision, which focuses on selectivity, country focus, comparative advantage, pro-poor growth and poverty reduction in its Regional Member Countries.
- 3.4 The Bank actively participates in monthly and extraordinary meetings of Heads of Development Agencies (the Local Development Partners Group – LDPG) and over 25 diverse macro and sector thematic working groups, with a view to contributing to aid effectiveness, in line with the partnership principles and the Bank Group's Medium Term Strategy. The Bank Group's participation in aid coordination in Uganda was rated moderately satisfactory by a 2008 Joint Country Assistance Evaluation (JCAE) conducted by the World Bank's Independent Evaluation Group (IEG) and the Bank's Evaluation Department (OPEV). However, the JCAE recommended that the Bank should in addition to project financing, hold discussions with the Government to explore the possibility of providing general budget support (GBS) so as to facilitate the use and strengthening of country systems and to minimize transaction costs.

4.0 Lessons for CSP and Portfolio Management

- 4.1 **Emphasis on greater selectivity in interventions and increased project size** will contribute to a reduction in transaction costs and ensure focus on sectors with higher implementation track record—particularly infrastructure operations;
- 4.2 **Harmonization of Bank Group policies and procedures with country systems** will reduce start-up and project implementation delays, as well as expedite the processing of disbursement and procurement requests. Assisting Government efforts at ensuring that national systems meet basic international standards of accountability and transparency will also engender such harmonization;
- 4.3 **Harmonization of Bank Group policies and procedures with other DPs in Uganda**, particularly in light of the Joint Budget Support Operation, will contribute to increased aid effectiveness and coordination;
- 4.4 **Ensuring the highest level of project quality-at-entry for future operations.** This will ensure that the project procurement plan, monitoring and evaluation mechanisms, and a comprehensive results-framework are prepared prior to Board approval. Further, identifying and designating procurement, financial management

and other relevant skilled project personnel prior to Board approval will reduce the implementation bottlenecks often faced at project start-up;

- 4.5 **Monitoring and Evaluation.** The National Integrated Monitoring and Evaluation System (NIMES) is faced with numerous capacity constraints and institutional coordination challenges. Bank Group support to Government's efforts for instance through institutional and technical capacity building will contribute to the strengthening of the NIMES. ESW, including impact assessment studies to evaluate development outcomes of current operations and to inform the design of future interventions will also contribute to strengthening the M&E function;
- 4.6 **Routine project supervision.** Regular project supervision—at least twice a year—and appropriate skills-mix for supervision teams are central to improved portfolio performance. The Field office, in collaboration with PIUs, should closely follow-up on the recommendations emanating from these missions; and
- 4.7 To improve portfolio performance and foster development effectiveness of the Bank's portfolio, the **Country Portfolio Improvement Plan (CPIP)** recommends generic and specific actions to be implemented by both GoU and the Bank (see Annex II).

5.0 Conclusions and Recommendations

Portfolio performance has improved and is currently rated satisfactory, with an overall assessment of 2.4 compared to 2.2 in 2007. One (1) project is classified as potentially problematic and one (1) operation as problematic—both in the agricultural sector. The proportion of projects-at-risk is 14.3%, which is less than the Bank Group's target of 25%. Commitments-at-risk at 3.8% is also below the 2007 Bank Group average of 39%. Increased supervision and addressing fiduciary concerns including procurement and financial management are central to improving project performance. The detailed Country Portfolio Improvement Plan is presented in Annex II. The recommendations that follow summarize the critical interventions required of the Bank Group and the Government to address challenges summarized in § 2.16.

5.1 At a joint level of the Bank and the Government

- 5.1.1 **Improve project quality-at-entry by adopting a readiness filter** so as to:
- (i) Ensure that the project implementation plan is ready prior to Board approval;
 - (ii) Ensure availability of counterpart funds for the 1st year prior to Board approval;
 - (iii) Ensure that key project staff are designated at project appraisal (i.e. project manager, procurement specialist, financial management specialist and M&E specialist);
 - (iv) Ensure compliance with environmental, social, financial management & procurement requirements;

- (v) Ensure technical studies—where appropriate—are carried out prior to Board approval;
- (vi) Ensure bidding documents for the 1st year are ready by Board approval; and,
- (vii) Ensure projects are designed with appropriate indicators for tracking results.

5.1.2 **The Government and the Bank should harmonize procurement and financial management policies and procedures** by agreeing to a framework that can accommodate both Public Procurement and Disposal of Public Assets (PPDA) and Bank policies; and

5.1.3 **The Government and the Bank should promote human resource management principles** in PIUs by adopting the principle of one-year renewable performance based contracts which include performance indicators, annual assessments for staff, and commensurate performance rewards.

5.2 At the Bank Level

5.2.1 **Harmonize procurement and financial management policies and procedures** across Development Partners and simplify procurement procedures and documents;

5.2.2 **Support the Government's procurement function** through institutional and technical capacity building for the PPDA and allied contract committees;

5.2.3 **Strengthen project supervision** and ensure adequate skills mix in supervision teams;

5.2.4 **Establish a more predictable training regime** for PIUs and Executing Agencies on Bank policies and procedures; and,

5.2.5 **Strengthen results Monitoring and Evaluation** by ensuring the collection of baseline data, as well as the periodic tracking and analysis of relevant project/ programme data and making provision for M&E in project budgets.

5.3 At the Government Level

5.3.1 **Cabinet should pro-actively engage other arms of Government** to expedite the Parliamentary ratification and issuance of Government legal opinion on approved loans;

- 5.3.2 **Improve the technical capacity of the PPDA** and other allied contract committees;
- 5.3.3 **Dedicate a minimum number of Government employees exclusively to project management**, particularly in the critical areas such as procurement and financial management;
- 5.3.4 **Strengthen the monitoring and evaluation framework** and ensure that feedback from project/ programme impact informs planning, budgeting and management processes; and,
- 5.3.5 **Improve Government oversight function** by providing resources for regular supervision of on-going operations by the executing agencies, ensuring that counterpart funds are sufficient and availed on time, and ensuring active participation in project steering committee meetings.

5.4 At the Board Level

The Board of Directors is invited to consider and approve the above mentioned recommendations, which aim to improve portfolio performance of the Bank Group's operations in Uganda.

Annexes

Annex I: Selected Characteristics of Uganda's Active and On-going Portfolio

ADF XI allocation (in millions of UA) =348.08					
Status of Projects	Project Name	2008	2009	2010	Total
Approved	The Community Agricultural Infrastructure Improvement Programme	45.0			
	The Post Primary Education and Training Expansion and Improvement	52.0			
	Kampala Sanitation Programme Phase I	35.0			
	Mbarara - Nkenda and Tororo-Lira Transmission Lines	49.0			
	Markets and Agricultural Trade Improvement Project		38.0		
Scheduled for 2009					
	PPF-Support to Mulago Hospital Rehabilitation Project		0.5		
	Road Sector Support Project 3		80.0		
Scheduled for 2010					
	Support to Mulago Hospital Rehabilitation Project			39.5	
	Rural Electrification				
	Rural Income and Employment Enhancement Program (RIEEP)		10.2		
	Total	181.00	128.71	39.50	348.08
	Percentage distribution	52.0	37.0	11.3	100.0

Table 1: Summary of Bank Group Portfolio of Old and Newly Approved Ongong Projects in Uganda

Sector	Project Name	Approval	Signature	Effective	Net Commitments (UAm)	Disbursement Amount (UAm)	Disbursement Ratio (%)	Closing Date	Project age
Agriculture	National Livestock Productivity Improvement Project	4-Dec-02	2-Jun-03	12-Apr-04	26.54	22.75	85.72	31-Dec-09	5.4
	Farm Income Enhancement And Forest Conservation Project	29-Sep-04	18-Jan-05	16-Feb-06	41.42	14.15	34.16	31-Dec-10	3.5
	Fisheries Development Project	12-Jun-02	14-Nov-02	9-May-03	22.00	13.56	61.64	30-Jan-10	6.3
	Community Agricultural Infrastructure Improvement Programme (CAIIP1)	31-Jan-07	17-May-07	21-Sep-07	30.00	3.45	11.50	31-Dec-13	1.9
	Uganda - Creation of Sustainable Tsetse and Trypanosomiasis Free Areas	8-Dec-04	18-May-05	30-Dec-05	6.55	0.63	9.62	31-Dec-11	3.6
Agrio. Sub Total					126.51	54.54	40.53		4.1
Ind/Mini/Quar	Mineral Resources Management and Capacity Building Project	29-Sep-04	18-Jan-05	18-Jan-05	5.35	2.30	42.99	31-Dec-10	4.6
Ind/Mini/Quar. Sub					5.35	2.30	42.99		4.6
Multi-Sector	Institutional Support For Good Governance	17-Nov-04	18-Jan-05	14-Mar-05	9.00	6.85	76.11	30-Dec-09	4.4
Multi-Sect. Sub Tot					9.00	6.85	76.11		4.4
Power	Bujagali Interconnection Project	28-Jun-07	26-Oct-07	14-Feb-08	19.21	5.04	26.24	31-Dec-11	1.5
	Bujagali Hydropower Project	2-May-07	21-Dec-07	21-Dec-07	72.72	22.87	31.45	31-Dec-12	1.6
Power Sub Total					91.93	27.91	28.84		1.6
Social	Education III -Support to Post-Primary Education	19-Dec-05	23-Jan-06	23-Jan-06	20.00	9.25	46.25	31-Dec-11	3.6
	Support To Health Sector Strategic Plan	8-Nov-06	22-Jan-07	4-Jun-07	20.00	5.85	29.25	31-Dec-12	2.2
Social. Sub Total					40.00	15.10	37.75		2.9
Transport	Road Sector Support Project	27-Apr-05	19-May-05	15-Sep-05	28.50	27.36	96.00	31-Dec-10	3.9
	Road Sector Support Project 2	17-Dec-07	15-May-08	29-Jul-08	58.00	0.00	0.00	31-Dec-13	1.0
	Road Sector Support Project (Supplement)	20-Dec-06	22-Jan-07	27-Jul-07	32.99	0.00	0.00	31-Dec-10	2.0
Transport Total					119.49	27.36	32.00		2.3
Water Sup/Sanit	Rural Water Supply & Sanitation Program	19-Dec-05	23-Jan-06	23-Jan-06	40.00	40.00	100.00	31-Dec-10	3.6
WSS Sub Total					40.00	40.00	100.00		3.6
Grand Total					431.97	169.02	39.13		3.15

Source: SAP, OREA, July, 2009

Annex II Country Portfolio Improvement Plan

Issues & Constraints	Actions Required	Responsible	Time frame	Current Status
Fiduciary & Safe Guard Issues				
Disbursement (See § 3.1, 3.2, 4.1, 5.1)				
Delays in submission of disbursement requests or inadequate supporting documents by GoU	i. Designate a financial management specialist at project appraisal; ii. Provide adequate financial management training and mentoring to PIU staff in disbursement procedures	GoU/ AfDB	Immediately and continuously	
Project staff not conversant with Bank's rules and procedures	Provide training on disbursement rules for PIU staff at least once a year	AfDB	Immediate	
Inadequate design/setup of financial management arrangements	i. Ensure highest project quality-at-entry; ii. The Field office should provide technical support to projects particularly in designing and implementation of project disbursement plans	GoU/ AfDB	Continuous	Implementation on-going
Procurement (See § 4.1, 5.1, 5.2, 5.3)				
Delays in procurement process caused by inadequate responsiveness of GoU to Bank procurement requirements	i. Ensure bidding documents for the 1 st year are ready by Board approval ii. The Bank should support the project to design practical procurement plans that are regularly updated	GoU/ AfDB	FY 2009/10	
PIUs having follow two parallel sets of procurement rules, i.e., Bank and PPDA rules	i. The Field office should provide technical support to projects particularly in the designing and implementation of project procurement plans so as to minimize delays resulting from the need to reconcile Bank and PPDA rules ii. Align Bank rules and procedures with country systems and reduce complexity of procurement process	GoU/ AfDB	Immediate and continuous	
Project staff not conversant with Bank's rules and procedures	i. Evaluate extent of need and recruit a project procurement assistant when necessary ii. Provide regular and practical procurement training to PIU staff	GoU/ AfDB	Continuous	Implementation is on-going
Auditing/ Reporting (See § 2.10, 2.16, 5.1)				

Issues & Constraints	Actions Required	Responsible	Time frame	Current Status
Project staff not familiar with AfDB's audit standards/ requirements	Conduct training on Bank audit standards and requirements for PIU staff at least once a year	GoU/ AfDB	Immediate and continuous	
Delays in preparing and submitting financial statements to auditors by PIUs Quarterly Progress Reports (QPRs) are often not sufficiently analytical regarding the identification of bottlenecks and possible solutions	i. Designate a competent project accountant at appraisal and provide requisite training on Bank audit standards at least once a year ii. The Field office should enhance follow-up with the executing agencies to ensure that QPRs are rigorous and are submitted by the recommended deadline	GoU/ AfDB	Continuous	
Environment and Social Safe Guards (See § 2.16)				
Inadequate capacity to follow up and implement safeguard rules and procedures due to lack of awareness of environmental and social safeguards	(i) Sensitize project managers/coordinators on safeguards for instance through IEC performance tools. (ii) Train implementing agencies to monitor and enforce safeguards	GoU/ AfDB	Immediate and continuous	
Government Contributions or counterpart funds (See § 3.1)				
Inadequate releases of counterpart funding	i. GoU should ensure that counterpart funds are adequately budgeted for and available before Board approval for the 1 st project year	GoU/ AfDB	FY 2009/10	
Project Management				
Project Effectiveness (See § 2.5, 2.17, 3.1)				
Delays in obtaining Parliamentary Ratification and GoU's legal opinion on approved projects	i. Increased GoU leadership and commitment to ensure project effectiveness within six months after Board approval ii. Project formulation should as much as possible involve all interested stakeholders, including Parliamentarians	GoU	Immediate and continuous	
Project Implementation (See § 2.15, 2.16, 3.1, 3.3, 4.1, 4.4, 4.5, 5.2)				

Issues & Constraints	Actions Required	Responsible	Time frame	Current Status
Inadequate project implementation capacity	i. Carry out a comprehensive analysis of the capacity of the Executing Agency (EA) to implement the project and where necessary, provide technical assistance to overcome short-term capacity constraints ii. Designate key staff at project appraisal including project manager, financial, and management specialist and provide requisite training; iii. Conduct annual reviews of existing PIU/PMU structures to identify and resolve any implementation challenges	GoU/ AfDB	Continuous	Problems still persist. Continuous follow-up needed
Inefficient oversight resulting from weak coordination between PSCs and PIUs	i. Strengthen the role of the Ministry of Finance to be able to carry out on-the spot supervision/ monitoring of project performance/ progress ii. Strengthen the Office of the Auditor-General and the internal audit function of the EA to enhance monitoring of financial compliance of projects	EAs, GoU and AfDB	Immediate and continuous	Implementation is on-going
Weak project supervision by the Bank	i. Ensure adequate skills mix and sufficient duration per supervision mission ii. Instilling a results-focused supervision culture by shifting to continuous supervision and implementation support in the field; ii. Conduct project coordinators portfolio review meetings on a quarterly basis	AfDB	Continuous	Implementation on-going
Other issues (See § 2.14, 2.16, 3.1, 3.3, 3.4, 5.1)				
Improve quality-at-entry for future operations	Adopt a readiness filter for future operations to ensure that key staff is designated at project appraisal and implementation plan, baseline survey, M&E schemes and a comprehensive results-framework are in place before Board approval	AfDB and GoU/ PIUs	As from Jan 2010	

Issues & Constraints	Actions Required	Responsible	Time frame	Current Status
Weak M&E systems and lack of capacity at the project level to execute M&E tasks	<ul style="list-style-type: none"> i. Build capacity for GoU M&E staff and provide adequate budget for M&E ii. Enforce the preparation of annual project monitoring plans; and 	AFDB/GOU	Continuous/ as need arises	Problems still persist, continuous follow-up needed
Changes in the project environment affecting progress of project implementation	<ul style="list-style-type: none"> i. Minimize the time between project design, approval, start-up and implementation ii. Rigorous annual project reviews so as to assess implementation progress, identify implementation bottlenecks, and recommend mitigating measures 	GOU/AFDB	Continuous	Problems still persist, continuous follow-up needed
Low morale of seconded GoU officials to projects due to lack of commensurate remuneration for the additional assignments	<ul style="list-style-type: none"> i. Promote activity based remuneration on a case by case basis per Public Service Regulations ii. Introduce performance-based contracts and a commensurate compensation framework 	GOU	FY 2009/10	