



1. Project Data :
OEDID: C2418
Project ID: P002975
Project Name: Economic and Financial Management Project
Country: Uganda
Sector:
L/C Number: C2418
Partners involved : Netherlands, SIDA, Austria
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2. Project Objectives, Financing, Costs and Components :
Objectives: Assist in further enhancing institutional capacity in key ministries and agencies; deepen and extend work in the financial and economic areas; and assist Borrower to attain key structural adjustment objectives .
Components: Strengthen Budget Development (1) strengthen Ministry of Finance and Economic Planning (MFEP) central planning and budgeting capability through introduction of conceptual reforms in 5 ministries and budgetary/logistical systems reforms in the Ministry of Defence; (2) local budget-- pilot budget reform at local level; (3) support economic recovery program by strengthening capacity to perform studies and perform policy analysis, and improve capacity to implement economic programs; (4) refurbish Treasury/MFEP buildings; Strengthen Financial Management (5) improve Treasury accounting and inspection systems and procedures; (6) strengthen functions of Auditor General; (7) strengthen MFEP financial information systems; Improve Government Statistics (8) improve survey and analytical work related to economics, trade, tourism, and business; Strengthen Revenue Collection (9) strengthen Uganda Revenue Authority by improving its structure and systems; Improve Cash Management (10) bolster Bank of Uganda's: MIS capabilities; debt monitoring and foreign exchange management; research and analytical capabilities; Civil Service Reform (11) develop payroll management system, and implement substantial retrenchment program; (12) project management. **Financing:** A total of US\$51million, consisting of US\$30.3 million from the IDA Credit, US\$3.6 from GOU counterpart funds, and US\$ 17.1 in grant funding from six co-financiers (grants were used only for civil service reform). IDA funds were utilized for technical assistance and training (US\$17.9 million); office equipment and vehicles (US\$6.3 million); civil works (US\$4.6 million); and operating costs (US\$1.5 million). The Credit was approved on August 4, 1992, made effective on October 26, 1992, and closed June 30, 1999, the original closing date.

3. Achievement of Relevant Objectives :
Strengthen Budget Development (1) strengthen MFEP central planning and budgeting capability : achievement was unsatisfactory, as programs envisioned were not implemented due to procurement and other problems, and individual advisors made only incremental improvements; (2) local budget reform: implementation was satisfactory, as EFMP initiative achieved synergy with other IDA-supported programs to build local capacity; (3) support economic recovery program: analytic capabilities were somewhat strengthened by TA and training; (4) refurbish Treasury/MFEP buildings: funding was redirected to refurbishment of the old and larger Treasury building due to agency consolidation; work was successfully completed at substantially greater cost than estimated at appraisal; Strengthen Financial Management (5) improve Treasury accounting and inspection systems and procedures : implementation was unsuccessful, as expected systemic improvements did not materialize, and impact of long-term advisors was limited due to lack of qualified Ugandan staff (in part due to staff retrenchments); (6) strengthen functions of Auditor General: the auditing function was successfully strengthened, both in the central office and in the field, and the training program expanded; (7) strengthen MFEP financial information systems : this effort was largely unsuccessful due to the lack of an overall MIS strategy and the departure of skilled staff (in part due to below-market salaries); Improve Government Statistics (8) improve survey and analytical work : this effort was successful at making statistical analyses more timely and comprehensive; Strengthen Revenue Collection (9) URA structure and procedures were improved, and government revenues increased; Improve Cash Management (10) bolster Bank of Uganda capabilities: while some improvements occurred--most notably in restructuring the BOU--this component was largely unsuccessful since the key objective of improving information flow from the BOU to the Treasury was not

achieved, mainly because software purchased under the project was not put into operation; Civil Service Reform (11) civil service reform was largely successful, with personnel information systems put into place and implementation of a substantial retrenchment (42% over 5 years; however, sometimes staffing reductions were uncoordinated with parallel attempts by EFMP to build capacity); (12) project management: management–assisted by UNOPS–was successful in handling procurement, disbursement, and project financial management .

4. Significant Achievements :

- Budgets to priority sectors (e.g., salaries for primary school teachers) increased from 20.9% to 25.4% of total recurrent and GOU-funded development expenditures, from project start to completion .
 - As a result of financial management initiative, auditing of Government accounts became more timely, improving from a backlog of 4 years to less than one year .
 - Economic data improved in quality and timeliness .
- Government revenues increased from 6.8% of GDP to 11.4% from project start to completion.

5. Significant Shortcomings :

- In some instances, there were insufficient Ugandan staff to benefit from the long -term advisors and thereby build capacity; civil service reform, which reduced staffing, exacerbated this problem . In other cases, the GOU did not take “ownership” of the advice, and little capacity was created .
- The project did not contain an effective MIS architecture or strategy, and consequently consumed considerable time and money on purchase of inappropriate hardware and software
- Effort to strengthen MFEP central planning and budgeting capability was unsuccessful . Attempt to introduce conceptual reforms and improve the budget cycle in five ministries did not succeed, and budgetary /logistical systems reform program for the Ministry of Defence was not satisfactorily implemented .
- The EFMP was a very complex project, and the prioritized list of activities within each program was not coordinated with other programs, which resulted in some inefficiencies and shortfalls .

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
Outcome :	Satisfactory	Marginally Satisfactory	Government ability to manage the economy improved significantly based on data made available, in part, by MFEP . However, this is balanced by project not delivering key outputs in the budget, treasury, BOU, and UCS components .
Institutional Dev .:	Partial	Modest	These ratings are essentially equivalent
Sustainability :	Uncertain	Uncertain	
Bank Performance :	Satisfactory	Satisfactory	Bank performance was marginally satisfactory: the project was extremely complex; the MIS components were poorly designed; and TM turnover was high, leading to delays in Bank response .
Borrower Perf .:	Satisfactory	Satisfactory	
Quality of ICR :		Exemplary	

7. Lessons of Broad Applicability :

- Management of complex, multi-component projects should be undertaken by the government, utilizing a high-level, government-wide co-ordination mechanism . This would ensure that a prioritized list of activities is developed within each project and across projects –to ensure that prioritization/sequencing is consistent (e.g., pay reform issues as part of civil service reform are resolved before an expenditure reform program requiring skilled staff commences)
- Where civil service salaries may not be competitive, in the absence of significant pay reform, it is questionable whether capacity building efforts can be sustained
- Information system and technology initiatives need to be implemented within the context of a broader MIS strategy
- For a capacity-building project, a close linkage needs to be established between the availability /recruitment of counterpart staff, start-up of long-term advisors, and the acquisition of MIS and office equipment . Recruitment of advisors should occur in parallel with (or after) identification of counterparts . Acquisition of equipment should be done piecemeal (not in bulk, even if it is cheaper) so that it is available as needed .

8. Audit Recommended? Yes No

Why? Exemplary ICR could be example of Best Practice

9. Comments on Quality of ICR :

The ICR is exemplary, and epitomizes successful self-evaluation. The ICR took the project's vague overall objectives and its very large number of components and developed straightforward indicators of project achievement. In addition, the achievement of the project objectives is described in a frank and clear manner. The ICR is also to be lauded for keeping close track of the key evaluation issue –the extent to which the efforts of long-term advisors built capacity. Finally, the “lessons learned” are perceptive and useful.