ICR Review

Operations Evaluation Department

Report Number : ICRR11633

1. Project Data:		Date Posted :	08/07/2003	
PROJ ID :	P035634		Appraisal	Actual
Project Name :	Priv. Sector Competi	Project Costs (US$M)	20.9	11.9
Country:	Uganda	Loan/Credit (US$M)	12.3	8.4
Sector(s):	Board: PSD - General industry and trade sector (53%), Capital markets (33%), Central government administration (14%)	Cofinancing (US$M)		
L/C Number:	C2798			
		Board Approval (FY)		96
Partners involved :		Closing Date	06/30/2001	12/31/2002

Prepared by :	Reviewed by :	Group Manager :	Group:	
Poonam Gupta	Ridley Nelson	Kyle Peters	OEDCR	

2. Project Objectives and Components

a. Objectives

The objective of the project was to make the private sector more competitive so that it could expand sales on both domestic and international markets. This objective was to be achieved by (i) improving the business environment; (ii) enhancing know-how through markets; (iii) enhancing know-how through financial partners; and (iv) enhancing know-how through industrial partners. While the objective to make the private sector more competitive was relevant, this objective is most likely to be achieved by maintaining political and macroeconomic stability and removing structural impediments (e.g., improving regulatory frameworks, increasing predictability and enforcement of laws, providing good infrastructure) rather than through the activities targeted by the credit which might have been supported by other donors. Since the overall environment for macroeconomic stability and the implementation of structural reforms was improving at the time of this credit, the value added of this loan is not evident in the MOP .

b. Components

The project had four components to support each of the sub -objectives in 2a: (i) Private sector foundation component (total cost US$ 2.5 million). The project would be managed by the private sector through the Private Sector Foundation. The Foundation would advise the government on policy issues affecting PSD and implement the project. (ii) Business Uganda Development Scheme (BUDS) to support injection of know-how and expertise into Ugandan firms (total cost US$7.5 million). Under this scheme, firms could receive 50 percent of the costs of using consultants and other service suppliers. Services may cover marketing, production and business planning . (iii) This component would fund the Uganda Equity Facility (total cost US$9.0 million). This would provide equity resources under management contract to participating equity funds that would mobilize resources from the private investors and/or reach small and medium enterprises. The project would also fund the provision of advice to improve the overall environment for equity financing by establishing the Ugandan Equity Fund which would participate in two separate equity funds, the East Africa Venture Capital Fund (EAVCF) and the Development Finance Company of Uganda Fund (DFCUF). (iv) The investment promotion and facilitation component would support a reformed Ugandan Investment Authority to focus on promotion and facilitation of investment total cost (total cost US$1.9 million).

c. Comments on Project Cost, Financing and Dates

The Equity Fund was closed and IDA's funding of US$ 3.9 million towards this component was cancelled in 1999 because participation from other multilateral financial institutions and financing from the private sector were not forthcoming.

3. Achievement of Relevant Objectives:

Under the first component, PSFU activities covered areas suggested by the SAR : the legal and regulatory environment for private sector activity; investment and export promotion; business entry and its procedures; and tax and land policies. However, the PSFU lacked a strategic framework, and the value of the PSFU was not fully utilized by the private sector. PSFU's financial sustainability was compromised because only 5 percent of the organization expenses were covered by member associations. Under the second component, the scheme reached 538 companies and according to an impact survey, sales growth was higher than that of firms outside the scheme although it was unclear by how much sales were higher. The third component was cancelled. The objective of increasing Ugandan firms access to capital, with particular focus on SMEs was not achieved. Under the fourth component, a number of activities were carried out (e.g, market research and marketing services, investment lobbying, investment aftercare).

4. Significant Outcomes/Impacts:

An impact assessment carried out by consultants in 2001 confirmed sales increases of all beneficiary firms of up to 90 percent. About 80 percent of the beneficiaries registered significant improvement in their market knowledge. Over the project period, 57,760 new jobs were registered with the Ugandan Investment Authority.

5. Significant Shortcomings (including non-compliance with safeguard policies):

The PSFU component did not perform satisfactorily and the planned equity funds could not be established. According to the ICR this was due to lack of adequate demand; the DFSU had difficulty establishing a performing portfolio. There was also a lack of equity financing capacity and the approach and methodology were not fully understood by the PSU staff and the Steering Committee. The project's monitoring and evaluation indicators in schedule B3 of the MOP were weak.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Highly Satisfactory	Satisfactory	According to the ICR, the PSFU component (12 percent of project cost) was unsatisfactory and the equity fund (43 percent of project cost) was cancelled. The business development component and Ugandan Investment Authority components comprising 45 percent of total project cost were highly satisfactory.
Institutional Dev.:	High	High	
Sustainability:	Likely	Likely	
Bank Performance:	Satisfactory	Satisfactory	
Borrower Perf.:	Highly Satisfactory	Satisfactory	Although the principal performance section of the ICR rates the overall borrower performance as highly satisfactory, the evidence presented suggests that it is only satisfactory. The text gives satisfactory ratings for borrower performance on preparation and implementation. A satisfactory rating is assigned to the implementation agency performance.
Quality of ICR:		Satisfactory	

NOTE: ICR rating values flagged with ' * ' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

1. The Bank should assess project relevance in the context of its overall lending strategy for the country and country progress in macroeconomic, institutional and structural reforms. While every project can be designed to be relevant, the Bank should support only those activities or policies where it is likely to have the most impact.
2. Impact indicators reported in the ICR must be specific to the project. FDI flows reported in the ICR is not a good indicator for this project's success.
3. Project documentation should give the reader a good indication of how far along the project will take Uganda in improving the competitive environment for private sector development (for example, MOP Schedule B states that 300 firms receive services...over 150 investors in specific sector contacted. However, the proportion of investors, firms (large or small) being reached by this project is unclear).
4. The Bank should do upstream work to assess beneficiary interest and capacity in undertaking complex schemes, like the equity fund program in this project, before introducing them as project components.

8. Assessment Recommended? ○ Yes ● No

9. Comments on Quality of ICR:

The ICR is of barely satisfactory quality. The lessons section is particularly poor in quality. There are inconsistencies between the text and the summary performance rating section. There is no ERR calculation although the SAR includes an ERR. The ICR links project achievements to an increase in FDI although the project activities were not of a scale to significantly affect FDI flows. In any event, WDI data show that in 2001, FDI net inflows were US$145 million and not US$247 million as stated in the ICR.