

Updated Project Information Document (PID)**Report No: AB320**

Project Name	UGANDA - Uganda Capacity and Performance Enhancement Program (CAPEP)		
Region	Africa Regional Office		
Sector	General public administration sector (100%)		
Theme	Other public sector governance (P)		
Project	P050440		
Borrower(s)	REPUBLIC OF UGANDA		
Implementing Agency(ies)	MINISTRY OF FINANCE, PLANNING & ECONOMIC DEVELOPMENT		
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Environment Category	C (Not Required)		
Date PID Prepared	September 11, 2003		
Auth Appr/Negs Date	November 12, 2003		
Bank Approval Date	February 19, 2004		

1. Country and Sector Background

Uganda, has achieved remarkable economic progress during the last decade and a half. A comparatively high level of economic growth (an average of about 6.4 percent per annum) has been sustained over the past decade, and poverty levels reduced by about 38 percent in the period 1992-2000. In that time, the country has also substantially restructured, strengthened and modernized its public sector institutions, and considerably improved its human skill base through education and training.

Still, weak capacity of the public service remains a major constraint to achieve satisfactory levels of quantity and quality of essential public services that are crucial to sustaining economic growth, development and poverty reduction. The on-going strategic initiatives to decentralize public service delivery and diversify the economy, and the evolving sophistication of the operating environment arising from technological developments and globalization exacerbate the capacity constraints.

Uganda's public service remains confronted with severe shortages of high calibre managers and skilled professionals. An excessive reliance on expatriate personnel is evident in most strategic functions, including policy formulation and analysis. For example, most donors-funded programs and projects rely heavily on external technical assistance for the design and implementation of programs and projects. Also, limited use of modern management techniques and technologies severely constrain the efficacy and pace of policy- and decision-making. This situation does not augur well for sustaining the pace of Uganda's development.

Makerere University, which is the apex education and training institution in Uganda, has been undergoing in recent years an impressive transformation that could return it to being the preeminent intellectual and capacity-building institution that it once was in East Africa. However, in the foreseeable future, it will not achieve world class standards of imparting knowledge and skills in some areas, because of inadequate technology, human resources capacity and information and knowledge-base. Such limitations cascade to lower level institutions. In some other areas, such as professional training of accountants (which is probably the case for several other key professions), the local training institutions are very weak and have limited capacity. Therefore, even with a demand-driven strategy which ensures relevance and cost-effectiveness, sustainable capacity building in Uganda must address the problem of limitations of local training institutions.

There have been capacity building initiatives in Uganda's public service over the years. These have been predominantly supply-driven and fragmented because they have been largely tagged to donors-supported development programs and projects. Thus, capacity has been locked into enclaves, i.e., project implementation units (PIUs), where expatriate staff and specially-compensated nationals operate in parallel with the mainstream public sector. The sub-optimality, duplication of effort and ineffectiveness of these supply-driven, narrowly-defined and projects-based capacity building and development efforts are particularly evident in Uganda as elsewhere in the developing world.

However, in recent years, in the context of the poverty eradication action plan (PEAP) and the medium-term expenditure framework (MTEF), the government of Uganda (GOU) has progressively moved its development framework towards a more programmatic and sectoral approach and discouraged a project-based approach to capacity building. Donors have responded well by supporting sector-wide approach programs (SWAPs), the Poverty Action Fund (PAF), and shifting to budgetary support. The Bank has actively supported these developments, culminating in the poverty reduction support credits (PRSCs). These changes herald the end of an era to support project enclaves. However, in the interim (short- to medium-term), it poses the challenge as to how the necessary specialized technical assistance will be channeled.

Although the PEAP is categorical on the need to phase out project implementation units (PIUs), most sector ministries and some donors have difficulty making the adjustment. This is exacerbated by the prevailing low levels of compensation for public service employees which remain the main argument in favor of a project approach and PIUs by both the public service and donor community. Slow progress is being made on implementing a pay reform strategy and it will be a while before salaries are competitive.

The ambitious decentralization program, involving devolution of service delivery roles and functions, as well financial resources has further exerted pressure on the limited capacities of the public sector. Human skills gaps as well as organizational and systems deficiencies are gaping in the local governments. Furthermore, the inability of the local population to effectively demand accountability by the local political and administrative elites, coupled by near total absence of such other watchdog agencies as NGOs, CSOs, mass media and donors, removes one important incentive for capacity utilization and performance by public agencies at that level. This problem is well recognized by both Government and Uganda's development partners, who are supporting capacity building through several parallel projects. The Bank's assistance is through a Local Government Development Program (LGDP) which is fostering an innovative demand-driven, process-based and programmatic approach to capacity building at that level. Building capacity and ensuring performance at the local level remains enormous and assistance for now is being provided through LGDP.

At the central government level, the government capacity building agenda and the drive to improve service

delivery is being delivered mainly by the Public Service Reform Program (PSRP) through two key major activities, i.e., the implementation of Results-Oriented-Management (ROM) and public service pay reform. However, in both areas, progress has been slow and somewhat disappointing so far. The PRSC process has given a new impetus to cross-cutting reforms and the need to pay attention to key aspects of public service management namely the development of a pay reform policy and strategy and addressing other aspects of human resources management that will support sustainable capacity building and facilitate retention of that capacity. GOU has developed the next phase of its PSRP which defines its strategy and program for the next phase of reforms.

Furthermore, Government has embarked on a process that should result in a more comprehensive approach to capacity building, as a sequel to several capacity building projects currently supported by the Bank (ICBP, EFMPII, LGDP) and several other development partners. The central thrust of this initiative is to ensure public sector capacity to support improve service delivery and private sector development, especially the diversification of the economy. This initiative so far has been jointly led by the Ministry of Finance, Planning and Economic Development (MFPED) and the Ministry of Public Service (MOPS). It has established an inter-ministerial task group that also includes representatives from civil society and private sector. This group has spearheaded the development of the vision, strategy and program for capacity building.

2. Objectives

To enhance and sustain the capacity and performance of the public service to deliver services effectively and efficiently at levels consistent with raising and sustaining the growth, diversification, and modernization of the economy, and with the Government of Uganda (GOU)'s poverty reduction targets.

3. Rationale for Bank's Involvement

Bank staff offers comparative knowledge and experience in both areas of public service reform and capacity building. This assistance is valuable and needs to be sustained. It is welcome by Government and donors such as DFID who are looking at the Bank to coordinate efforts in this areas. In Uganda with the advent of the poverty reduction support credits (PRSCs) as a new approach to donor collaboration has been initiated. It is envisaged that CAPEP would be the complementary instrument to the PRSCs, i.e., a tool to build capacity to implement the key reforms sought in support of the PRSCs/PEAP. CAPEP would channel support for capacity building in areas that support public service reform and the poverty reduction support credits areas of reforms. The PRSC process successfully brought together GOU and donors to take a common approach. CAPEP seeks to do the same.

4. Description

Building on the lessons of experience with past capacity building projects in Uganda, the components of the proposed CAPEP will reflect a decisive shift of focus from supply-side to demand-side interventions. Furthermore, the program components will be designed to support on a flexible basis a comprehensive and programmatic approach for capacity building and performance improvement. However, the program will also support some highly selective supply-side initiatives.

The demand-side, and predominant, component of the program will intervene at two levels.

- one, support to individual Government ministries, departments and agencies (MDAs);
- two, support to self-contained sector-wide capacity building programs.

Support to Government ministries, departments and agencies (MDAs)

Demand-driven support to targeted at the MDAs (possibly including local governments) will be within a results-based performance improvement framework. The key elements of such a framework are either already in place or on-going. Through the MTEF initiative, MDAs have been oriented towards strategic allocation of resources according to priority policy objectives. An output-oriented budgeting (OOB) initiative spearheaded by the MOFPED is now underway to enhance outcomes, efficiency, and accountability in the use of these resources. MDAs have also embarked on a parallel but complementary initiative of results-oriented-management (ROM). ROM is orchestrated by the MPS under the Public Service Reform Program. From a strategic management and administrative perspective, ROM requires public service officers to produce and account for results in terms of service delivery. At the organizational level, however, the MTEF, OOB and ROM are operationalized within a sector development plan (SDP), and the strategic plans of each MDA, where these have been developed. CAPEP will support capacity building in the MDAs within such a framework, two important respects. Firstly, by fostering coordination of the initiatives so that they come together into a coherent framework for performance improvement. Therefore, CAPEP will support capacity building and performance improvement only in those organizations demonstrating commitment to achieving their sector plans, MTEF, OOB and ROM through clear implementation plans. Secondly, CAPEP will make funds available for capacity building needed for effective and sustained implementation of the programs, including other complementary systems and processes.

Specific outputs and outcomes will be planned to result from the program's demand-side interventions in support of capacity building and performance improvement in every MDA. This will be underpinned by the design of the CAPEP in terms of designating windows in the fund corresponding to four **target key results areas** in capacity building and performance within each MDA:

- improved strategic leadership and management skills for decision-makers;
- increased number and quality of professional staff;
- efficient and up-to-date management structures and systems ; and
- enhanced integrity, transparency and accountability.

Improved Strategic Leadership and Management Skills for Decision-Makers

There are presently few enclaves of strategic management in government such as MFPED. However, with the new types of demands being placed on the public service, this is not enough. Government needs to equip a cadre of senior public service managers with skills that would include policy formulation, strategic planning, and monitoring & evaluation (M&E). It is envisaged that these skills would be acquired mainly through on-the-job experience. However, a certain amount of training in-country and outside would have to be planned to provide top leadership with the latest thinking in strategic management and other skills required to spearhead reforms at the national level, and to develop a cadre of managers equipped to lead with vision and dynamism the development of Uganda. Activities envisaged include: (i) short-term and carefully selected and targeted training of top public officers (PSs, Directors, Commissioners, Assistant Commissioners, and equivalent) in policy analysis and formulation, planning and budgeting, strategic leadership and management, team building, etc. (ii) programs geared to reorient top public service officers from bureaucratic and reactive behaviors to strategic management. It is foreseen that the program will be implemented initially with the support of overseas institutions but will progressively shift to an in-country program; (iii) in-country top management training program for public service officers to be developed and implemented possibly at Makerere University or UMI [this needs to be more fully assessed]; and (iv) a non-monetary recognition and reward system for top public service officers to be designed and implemented.

In any case, this training will not be tailored to the career aspirations of the beneficiaries but rather to the strategic challenges and opportunities facing the management of the MDA. In other words, the needs to strengthen leadership and management capacities will be determined with institutional and systems perspectives, because that is what effective and sustainable capacity building entails. Accordingly, the nature and scope of strategic leadership and management skills development will be assessed and defined within the processes of policy analysis, planning, budgeting, M&E, and accountability. The training will be identified and solicited in conjunction with complementary requirements for capacity building and performance enhancement.

Nevertheless, the leadership and management skills development requirements of several MDAs may be aggregated for the purpose of organizing a team to be trained.

Increased Number and Quality of Professional Staff

"Low human capabilities undermine Africa's performance. Some 23,000 highly trained professionals emigrate each year, to be replaced by expatriate advisers funded by foreign technical assistance." Uganda is among the countries facing this problem stated in *Can Africa claim the 21st Century*. In addition, as private sector develops, competition for professional skills intensifies. Therefore, it is foreseen that funds would need to be made available to hire professional/technical staff in key areas while the development of similar skills takes place. Training would be provided to upgrade existing professional skills and to improve capability in scarce, critical and cutting-edge skills. While Ugandans are acquiring these skills, some "stop-gap" measures will need to be contemplated. CAPEP would provide resources to engage the necessary specialized skills. CAPEP would also support organizations that promote professional/technical skills and ethos. Activities under this component could be: (i) provision of scholarships for specialized professional training (awards to be carefully targeted and administered so that they do not contribute to the brain drain, and to include sponsoring public servants for part-time in-service training in local institutions if possible); (ii) targeted strengthening of the capacity of selected local institutions (e.g., Makerere, Institute of Chartered Public Accountants of Uganda--ICPAU, UMI, etc) to train fully competent professionals (NB: this is an exceptional supply-side intervention); (iii) contract-hire of professionals (including expatriates) to close gaps in technical and profession skills in the public service; and (iv) development of policies and strategies to introduce incentives for the private sector to seriously participate in the development of highly skilled local technicians and professionals (explore possibilities for a training levy, tax breaks for donations and endowments to local training institutions, etc.)

Efficient and Up-to-Date Structure and Management Systems in MDAs

Although progress has been made, particularly in the area of financial management through the Economic and Financial Management Project (EFMP), its second phase and other donor interventions, the Country Financial Accountability Assessment (CFAA) has noted the need for Uganda to put in place efficient structures and management systems. This applies also to other public sector management areas such as human resources management. Capacity comprises being equipped with appropriate tools including sufficient operating budget. Therefore, the strategy for this component would include: (i) selection of structures and systems (institutional diagnosis and strategic planning); and (ii) design and implementation of structures and systems (staff development, technical support and necessary investments). This would be done taking into account major management systems that are being put into place. This will involve such activities as: (i) the review and design of management structures (this is necessary because previous restructuring efforts did not take to logical conclusions as many ministries are still organized and staffed on

programs/service delivery and not policy/regulatory role orientation, etc.); (ii) the review, design and implementation of management systems (including those for planning and budgeting, accounting and finance, audit, HRM, MIS, records management, etc.--especially in the context of SDPs implementation, and rolling out the backbone systems introduced through the EFMPII and the LGDP on a demand-driven basis); and (iii) IT applications to automate and modernize systems for efficiency and effectiveness (including, for example, installation of local area networks--LANs).

Integrity, Transparency and Accountability by the MDAs

Unless public servants receive appropriate incentives and operate in a transparent/meritocratic framework, sustainable capacity building cannot be achieved. Taking this into account, CAPEP would seek to reinforce the implementation of Uganda's pay reform strategy in line with the MTEF. Strategies linked to improving performance and changing culture in the public service need to be identified. Possible areas for investigation could include: (i) putting in place a mechanism to provide for selected acceleration of pay for key positions; or (ii) introducing incentive measures to complement pay reform, to enhance staff motivation in the short-run, and to bring PIU staff salaries in line with pay reform targets. It will be key to link pay and performance, and for public servants to know that they are dealing with competent public sector organizations such as service commissions and others that provide a transparent framework for the operation of the public service. It is to be noted that, at present, GOU does not appear to want to consider such schemes. This will need to be taken into account in defining further this aspect of CAPEP. Activities could include: (i) strengthening the service commissions (for timely and meritocratic appointments of staff, including due promotions); (ii) supporting the implementation of ROM in MDAs and LGCs; (iii) strengthening watchdog agencies such as the Auditor General, committees of Parliament; (iv) supporting public expenditure tracking studies, and service delivery and integrity surveys; and (v) providing targeted support to professional associations that promote ethical conduct such as ICPAU, the Law Society, Uganda Medical Association, Institute of Engineers, etc.

Support to Self-Contained Sector-Wide Capacity Building Programs

The second level of demand-side interventions will be directed at self-contained sector-wide capacity building programs. Such programs aim at institution building for improved sector performance. The programs necessary arise within the context of identifying the institutional problems and constraints to sector development, and the determination of the strategic objectives and outcomes that Government should pursue within the framework of the PEAP and the MTEF.

Proposals for support to sector-wide capacity building interventions may be spearheaded by a lead agency (for example NEMA for the environment sector). They could also be the joint product of the sector working group established under the MTEF initiative. In every case, nonetheless, the SWG must endorse such proposals as a conditional for qualifying them for support under the program.

During project preparation, more analytical work will be undertaken to underpin the efficacy and scope of these types of interventions, and to specify guidelines for processes, procedures and formats for the proposals to be supported under the capacity and performance enhancement fund.

Capacity and Performance Enhancement Fund (CAPEF)

To facilitate a programmatic and demand-driven approach, program funds will not be tied to specific inputs and/or organizational units, as it would be done under a conventional project approach. Instead, the use of program funds will be related to the implementation of specific capacity and performance enhancing

interventions that a public organization will identify as part of its program to improve its processes for service delivery. Through a demand-driven mechanisms, CAPEF's funds will support specific programs and processes for capacity building and performance improvement in beneficiary organizations. To this end, it is proposed that Government and donors will jointly establish a Capacity and Performance Enhancement Fund (CAPEF).

MDAs will access funds from CAPEF on the basis of presenting funding proposals that are backed by plans and budgets for capacity building and performance improvement within a framework that reflects integration of ROM and OOB. These plans will specify the outputs to be attained by the MDA in each of the four key results areas outlined above. An Inter-Ministerial Group of senior officers from MOF, MPS and three or so selected MDAs, technically supported by the a proposed Capacity Building Secretariat that will assess the quality of proposals recieved from the MDAs and, if appropriate, approve them for support under through the CAPEF. Flexibility implies that funds will be disbursed from CAPEF, in the form of scholarships, grants and other financial awards, and not as specific inputs, departing from more conventional approaches. The implementation arrangements are being further discussed with Government.

Details of the guidelines, evaluation criteria and technical support to enable MDAs to plan and prepare sound proposals for support under CAPEF, and to specify the institutional arrangements for the use of CAPEF will be developed during program preparation.

Supply-side component

The limited supply-side interventions under the program are geared to ensuring that there is local capacity to provide some critical skills which would otherwise be too expensive and uneconomical and unsustainable to source from outside the country. In particular, there are areas in which the Uganda public service already has or is projected to have a serious shortfall in professional and technical skills, and local training institutions either do not have the necessary minimal capacity. The on-going reform programs of decentralization, public service reform and modernization of the economy, coupled with impetus for change arising from developments in information technology and globalization have exarcebated shortages in skills in some technical and professional areas. Areas already indicated in this respect include accounting, information technology, policy analysis, and others. During program preparation, analytical studies have been undertaken to assess the problem and the options and scope of intervention in such areas.

5. Financing

Source (Total (US\$m))

BORROWER (\$10.00)

IDA (\$70.00)

FOREIGN SOURCES (UNIDENTIFIED) (\$20.00)

Total Project Cost: \$100.00

6. Implementation

The implementation strategy is the cornerstone of this proposed capacity building program. The program will, in terms of inputs, in many respects support the same kind of interventions that many discrete and fragmented projects have done in the past. However, the strategy and mode of delivery will completely depart from past initiatives in that, under this program:

- a total systems approach will be adopted. In this respect, therefore, the program will support the chain of capacity building and performance enhancement cycle, including inputs into the processes,

change processes, incentives, monitoring and evaluation, and sharing information and knowledge emanating from the processes as a basis for performance improvements;

- support will be demand-driven, except for limited support to a selected few local institutions (possibly just Makerere University and UMI) to ensure that there is some capacity readily available to deliver quality training programs. Overall, support will be linked to a willingness to change. Thus, it would serve as an incentive for organizations to transform themselves. The requests from the organizations would be embedded in the budget process and also in the Government's strategy for public sector reform. The approach emphasizes ownership and commitment to change at all levels.
- the support would be provided through a flexible instrument that could provide an avenue for development partners to pool their resources for capacity building initiatives. This capacity and performance enhancement fund (CAPEF) would support capacity building for the operationalization of ministerial reform agenda. The institutional, administrative and financial management arrangements for CAPEF have yet to be finalized. It is envisaged that CAPEF could be a "multi-window" fund linked to the program's components. It will be important to retain maximum flexibility while ensuring that there are clear criteria to access CAPEF. These criteria will be linked to the objectives and modalities of the next phase of public service reforms and to reforms sought by the PRSCs.
- CAPEF will be an instrument that should support the broad sets of reforms envisaged under PRSCs. CAPEF would provide the means to bridge the gaps in capacity related to the implementation of GOU's reform agenda.

7. Sustainability

The following factors will be critical for the sustainability of project benefits:

- The government's continued commitment to maintain its macroeconomic performance and to advance the agenda of public service reform.
- A comprehensive new phase of public service reform program that addresses issues of low pay for public servants, particularly managerial and professional staff, linkages pay-performance, meritocratic and transparent principles for hiring and firing staff, and more broadly a whole range of human resources management.
- The commitment of the public service to adopt new ways of working and to be genuinely engaged in changing their ways of doing business.

8. Lessons learned from past operations in the country/sector

1. The Bank's experience suggests that a project-based approach to capacity building initiatives is: inflexible and does not encourage sustainability; too narrow and lends itself to poor coordination; often donor-driven and creates enclaves that drain the public service of its best resources, and devoid of ownership.
2. In "Getting Good Government-Capacity Building in the Public Sectors of Developing Countries" (Grindle, M. HIID, 1997), it is argued that although there has been extensive debate in recent decades over which approach brings the biggest impact, what mix of training is appropriate in given circumstances and what one can do with limited resources, the best option for promising professionals is advanced education in high-quality academic institutions (p. 97), "saturation training" is a possible avenue. A comprehensive system to reintegrate officials is necessary under that approach (saturation training): placing them in positions that most closely match their newly gained skills and timing their return so that they could use their skills fully. Thus the need for close collaboration between the entity that sends the official on training and the HR counterparts.
3. It takes decades to assess the impact of a capacity building program, such as the CAPEF. However, there is a basis for anticipating that enhanced capacity and performance improvements will translate to

improved service delivery and poverty reduction. It is in this context that the program design will emphasize a proper monitoring and evaluation system to start tracking the outputs and outcomes.

5. The most pervasive constraint to increasing civil service productivity and motivating increase effectiveness remains that of low salaries. Therefore a program such as CAPEP has to be implemented along side a comprehensive public service reform program where pay reform takes a high profile. This is already underway and has been recognized during the CG meeting by the President as one of the stumbling blocks. However, it should be recognized that motivation does not rely entirely on financial reward. There are other non-monetary incentives such as work satisfaction, involvement and others that can be important for professional public servants that also need to be taken into account.

6. Process reform requires rethinking organizational relationships and rationalizing them where possible. This can be achieved without changing the basic organization. The key to building capacity in public bureaucracies in Africa is to build networks within and between hierarchies and not to build hierarchies (Peterson in Grindle, p. 171). This will be reflected in the design of CAPEP around a more comprehensive process-based approach.

7. "The World Bank: Addressing the Challenge of Reforming Public Institutions" points out the need to develop skills to do better institutional work. This points to the need of having in Uganda the necessary strategic skills to reform processes and the related institutions.

8. Intrusive micro-management, especially by many uncoordinated donors, weakens African capacity, government accountability, and overall effectiveness ("Can Africa Claim the 21st Century"). This will be further investigated through putting in place a flexible mechanism to which many donors could contribute should they wish.

9. Fragmented programs, each with its own administrative procedures and implementation unit, have created parallel aid economies that splinter budgets and divert senior officials ("Can Africa Claim the 21st Century").

9. Environment Aspects (including any public consultation)

Issues : NA

10. List of factual technical documents:

PRSCI, II, III. Draft studies on HIV-Aids and Gender. Public Service Reform Program.

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Note: This is information on an evolving project. Certain components may not be necessarily included in the final project.