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PROJECT APPRAISAL DOCUMENT

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**IN THE AMOUNT OF SDR 48.7 MILLION
(US\$70.0 MILLION EQUIVALENT)**

TO THE

REPUBLIC OF UGANDA

FOR A

UGANDA PUBLIC SERVICE PERFORMANCE ENHANCEMENT PROJECT

May 23, 2006

Public Sector Reform and Capacity Building
Country Department 4
Africa Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective May 23, 2006)

Currency Unit = Uganda Shilling
Uganda Shilling 0.000541 = US\$1.0
US\$1.0 = Uganda Shilling 1,850

FISCAL YEAR

July 1 – June 30

ABBREVIATIONS AND ACRONYMS

AAP	Africa Action Plan
AfDB	African Development Bank
AG	Auditor General
ARS	Administrative Reform Secretariat
ASPEN	Environmentally & Socially Sustainable Development Sector Unit
BFP	Budget Framework Paper
BOU	Bank of Uganda
CFAA	Country Financial Accountability Assessment
COMPD	Commissioner Pensions Department
CRITD	Commissioner Records and Information Technology Department
DANIDA	Danish Aid
DFCU	Development Finance Company of Uganda
DHOPS	Deputy Head of the Public Service
DPs	Development Partners
EFMP	Economic and Financial Management Project
EIA	Environmental Impact Assessment
EMP	Environmental Management Program
FAD	Finance and Administration Department
FMM	Financial Management Manual
FMR	Financial Monitoring Reports
GDP	Gross Domestic Product
GFS	Government Finance statistics
GOU	Government of Uganda
HIV/AIDS	Human immunodeficiency virus
HOPS	Head of the Public Service
HR	Human Resources
IBRD	International Bank for Reconstruction and Development
ICBP	Institutional Capacity Building Project
ICPAU	Institute of Chartered Public Accountants of Uganda
ICSC	Implementation Coordination Steering Committee
ICT	Information, Communication technology
IDA	International Development Association
IEC	Information, education and communication
IFMS	Integrated Financial Management System

IPPS	Integrated Personnel and Payroll System
JLOS	Justice, law and order sector
LG	Local government
LGDP	Local Government Development Program
M&E	Monitoring and evaluation
MDAs	Ministries, departments and agencies
MDGs	Millennium Development Goals
MOFPED	Ministry of Finance, Planning and Economic Development
MOLG	Ministry of Local Government
MOPS	Ministry of Public Service
MOU	Memorandum of Understanding
MOWHC	Ministry of Works, Housing and Communications
MSD	Management Services Department
MTEF	Medium-term expenditure framework
NEMA	National Environmental Management Authority
NGOs	Non-governmental organizations
NIMES	National integrated monitoring and evaluation system
NPA	National Planning Authority
NRM	National Resistance Movement
NSDS	National service delivery surveys
OOB	Output-oriented budgeting
OPM	Office of Personnel Management
PDO	Project development objective
PDU	Procurement and Disposal Unit
PEAP	Poverty eradication action plan
PFAA	Public Finance and Accountability Act
PEF	Performance enhancement facility
PHRD	Poverty and human resources development
PIUs	Project implementation units
PNSD	Plan for national statistics development
PPF	Project preparation facility
PPDA	Public Procurement and Disposal of Public Assets Authority
PRSC	Poverty reduction support credit
PS	Permanent Secretary
PSC	Public Service Commission
PSID	Panel Study of Income Dynamics
PSMSWG	Public-sector-management-sector working-group
PSRP	Public Service Reform Program
RFPs	Requests for proposal
RITD	Records Information Technology Department
ROM	Result-oriented management
SFIA	Strategic Framework for IDA's Assistance to Africa
SDPs	Sector development plans
SES	Senior executive service
SWAPs	Sector-wide approach programs
SWGs	Sector working groups

TA	Technical assistance
TAC	Technical advisory committee
TPPA	Third party procurement agent
UJAS	Uganda joint assistance strategy
UK-DFID	UK Department for International Development
UNCITRAL	United Nations Commission on International Trade Law
UNHS	Uganda national household survey
UPSPEP	Uganda Public Service Performance Enhancement Project
VFM	Value-for-money
WBI	World Bank Institute

Vice President:	Gobind Nankani
Country Director:	Judy M. O'Connor
Sector Manager:	Helga Muller
Task Team Leader:	Denyse E. Morin

**UGANDA
UGANDA PUBLIC SERVICE PERFORMANCE ENHANCEMENT PROJECT**

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UGANDA
PUBLIC SERVICE PERFORMANCE ENHANCEMENT PROJECT
PROJECT APPRAISAL DOCUMENT
AFRICA
AFTPR

Date: May 23, 2006	Team Leader: Denyse E. Morin		
Country Director: Judy M. O'Connor Sector Manager/Director: Helga W. Muller	Sectors: General Public Administration (100%); Themes: Other Public Sector (P)		
Project ID: P050440	Environmental screening category: Partial Assessment		
Lending Instrument: Specific Investment Loan			
Project Financing Data			
<input type="checkbox"/> Loan <input checked="" type="checkbox"/> Credit <input type="checkbox"/> Grant <input type="checkbox"/> Guarantee <input type="checkbox"/> Other:			
For Loans/Credits/Others: Total Bank financing (US\$m.): 70.00 Proposed terms: 40-year maturity			
Financing Plan (US\$m)			
Source	Local	Foreign	Total
BORROWER/RECIPIENT	-	-	-
IDA	36.21	33.79	70.00
DFID	6.10	4.40	10.50
Irish Aid	0.04	0.03	0.07
DANIDA	3.49	2.51	6.00
Total:	45.84	40.73	86.57
Borrower:			
Ministry of Finance, Planning and Economic Development Finance Building, Planning and Economic Development Building Nile Avenue, P.O. Box 8147 Kampala, Uganda Tel. : 256-41-707000/235051/9 Fax : 256-41-230163			
Responsible Agency:			
Ministry of Public Service P.O. Box 7003, Kampala, Uganda Tel.: 256-41-250534/6 Fax: 256-41-255463/4			

Estimated disbursements (Bank FY/US\$m)					
FY	2007	2008	2009	2010	2011
Annual	3.5	21.0	24.5	14.0	7.0
Cumulative	3.5	24.5	49.0	63.0	70.0

Expected effectiveness date: October 31, 2006

Expected closing date: December 31, 2011

Does the project depart from the CAS in content or other significant respects?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the project require any exceptions from Bank policies?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Have these been approved by Bank management?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is approval for any policy exception sought from the Board?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the project include any critical risks rated "substantial" or "high"?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the project meet the Regional criteria for readiness for implementation?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Project development objective:

The project will support: the transformation of the public service so that it is affordable, efficient and accountable in use of public resources and service delivery; and the improvement of the policy, institutional and regulatory environment for sustainable growth and service delivery.

Project description:

The project has two components. The first component will support the implementation of the government's Public Service Reform Program (PSRP) through a sector-wide approach program (SWAp). The second component will support activities intended to foster performance enhancement initiatives on a demand-driven basis through a performance enhancement facility (PEF), which will be clearly linked to ministries, departments and MDAs performance improvement plan for better service delivery and demonstration of commitment to organizational transformation.

Which safeguard policies are triggered, if any?

Partial Environmental Assessment (OP/BP/GP 4.01) and Involuntary Resettlement (OP/BP 4.12) as a result of civil works associated with the construction of the national records and archives centre.

Significant, non-standard conditions, **if any**: none

Board presentation: none

Credit effectiveness: (i) The standard requirement for a legal opinion of the Attorney-General; (ii) Disclosure of the Abbreviated Resettlement Action Plan; (ii) Recruitment of a procurement consultant; and (iii) Submission of the PSRP and PEF Operations Manuals.

Covenants applicable to project implementation: A time-bound action plan for the implementation of the recommendations of the MOPS institutional assessment.

Conditions of disbursement. (i) For component 1, the MOU signed by the co-financiers and the government; (ii) Approval by the joint Government and co-financiers committee of the annual work plan and budget; and (iii) Approval by the Head of the Public Service of PEF grants, which requires the Association's no-objection.

A. STRATEGIC CONTEXT AND RATIONALE

1. Country and sector issues

Uganda has achieved remarkable economic progress during the last decade and a half. Gross domestic product (GDP) grew at an average rate of 6.9 percent during the 1990s compared to an average of 2.2 percent for all Sub-Saharan Africa countries. Average GDP growth for the past five years is estimated at a still comparatively high 5.5 percent. The macroeconomic fundamentals that have facilitated this economic performance, including fiscal discipline, and effective monetary policies remain in place. Furthermore, the economic growth of the past decade has had a significant, positive effect on poverty reduction; the proportion of the population living below the poverty line declined from about 56 percent in 1992 to 38 percent in 2003; the net primary education enrollment ratio rose to over 86 percent by last year for both boys and girls; the under-5 child mortality rate is down to about 155 (per 1,000 live births) in 2005 from about 177 in 1990; access to safe water (as a percentage of the population) has improved from about 45 percent to about 55 percent in rural areas and 65 percent in urban areas; and HIV prevalence (as a percentage of the adult population) has dropped from about 20 per cent to 6.2 percent.

Performance in the governance area has not been as impressive as economic growth and poverty reduction. According the World Bank Institute (WBI) governance indicators, government effectiveness has steadily declined since 1998. Between 2000 and 2004, out of six WBI indicators, Uganda improved its standing in (i) voice and accountability, and (ii) control of corruption, with no change in (i) political stability and (ii) regulatory quality. Deterioration was noted in (i) government effectiveness and (ii) the rule of law. Furthermore, it is not yet evident that the transition to multiparty politics will transform Uganda into a truly competitive democracy.

The Government of Uganda (GOU)'s strategy for addressing the governance issues as well as sustaining economic growth and poverty reduction is set out under five pillars in its Poverty Eradication Action Plan (PEAP). These are: (1) economic management; (2) production, competitiveness and incomes; (3) security, conflict-resolution and disaster-management; (4) governance; and (5) human development. The PEAP articulates key challenges and commits the Government to consolidating the fiscal and macroeconomic stability gains of the past decade and to improving efficiency in the use of resources. In this regard, the Government will endeavor in the next five years, among other policy measures, to: (i) curb corruption and increase accountability in the use of resources; (ii) improve the allocation of public resources by giving a high priority to the actions identified in the PEAP; and (iii) reduce the proliferation of uncoordinated initiatives.

The GOU has continued to register significant improvements in public financial management (PFM). Results include improved legislation, more coherent fiscal strategy framework, the introduction of an enhanced integrated financial management system (IFMS), improved cash, commitment control and accountability mechanisms and extensive upgrading of budget, accounting and auditing skills. In terms of procurement reforms, at the central government level, all the ingredients for making the procurement system more efficient, economic, transparent and accountable are now in place. The Uganda Public Service Performance Enhancement Project (UPSPEP) will support the new Public Procurement and Disposal of Public Assets Authority (PPDA) to implement its recently legislated mandate to develop a competent cadre of procurement professionals in the public service.

Uganda has made steady progress towards achieving the Millennium Development Goals (MDG), especially in the human development and poverty reduction areas, but major challenges persist. In particular, the PEAP identifies weak public sector management as one of the key constraints to sustaining high rates of economic development and poverty reduction. The PEAP highlights challenges to human resource management in the public sector, including: the disparity in pay between the public and private sectors and between the public sector and autonomous agencies; the excessive use of consultancies in some sectors; inadequate supervision; staff absenteeism; weak management of the payroll and training; and arrears in pension and terminal gratuities. Many key public sector institutions, including ministries, departments and agencies (MDAs) of the central government have capacity gaps that include: weak management systems and processes; shortages of competent technical, professional and managerial personnel; corruption; and unethical conduct by staff both at the centre of Government and on the frontlines of service delivery. These gaps must be effectively addressed to ensure the sustainability of the PEAP development outcomes. Furthermore, the ongoing 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 of the public sector.

In the PEAP, the Government has laid down a comprehensive strategy to address the issues and challenges in public sector management. The three major pillars of the strategy are: (i) a financial management and accountability reforms, which the Bank has supported in the past through the Economic and Financial Management Project (EFMP I, Credit No. 24180-UG and EFMP II, Credit No. 32970-UG); (ii) a decentralization and local government development program supported through two successive Local Government Development Programs (LGDP I, Credit No.3295-UG and LGDP II, Credit No. 37730-UG); and (iii) a Public Service Reform Program (PSRP), which the Bank supported until 2002 through the Institutional Capacity Building Project (ICBP, Credit No. 2736-UG). In recent years, the first two reform programs, but not the PSRP, have performed satisfactorily.

Two phases of the PSRP have been completed over the past fifteen years. During the first phase, the role of Government was redefined and its size was substantially reduced in terms of scope of functions and employment numbers. In addition, the devolution of functions to local governments commenced, and improvements to the incentive framework, especially pay, were successfully initiated. The second phase, in the late 1990s, introduced a Results-Oriented Management (ROM) approach. Under ROM, which remains the core component of the PSRP, MDAs are required to plan, implement, monitor and evaluate performance on quarterly and annual bases. However, the low capacity and a weak incentive system in MDAs, especially low pay and shortfalls in disbursements against budgets, have severely constrained progress in institutionalizing the results-based approach within the public service management. Under these circumstances, during the past five years the overall PSRP implementation slowed considerably and, in some important ways, completely stalled.

The absence of demonstrable results, coupled with the lack of a strategic focus over the past several years, have undermined commitment and support for the PSRP by both political and technical leaders across Government. Consequently, both Government and development partners (DPs) have been reluctant to provide essential support to the PSRP for the past several years. Notwithstanding this, GOU recognizes that the reform is crucial to the sustainable transformation of the public service and efficient management of its development and poverty reduction programs. The PEAP, accordingly, specifies several high-priority areas to be addressed under the PSRP. These are:

- (a) Strengthening performance management by enhancing the linkages between ROM and the budget process, rolling out the open performance appraisal system across Government and inculcating a performance management culture in the public service.
- (b) Enhancing capacity through demand-driven training, affording opportunities for on-the-job training and providing access to enhanced management systems.
- (c) Providing better public sector remuneration through achieving the targets contained in the pay reform strategy, safeguarding the purchasing power of public officials' salaries and meeting its pension obligations.
- (d) Making Government affordable by achieving efficiency and cost control through the integration of projects into sectoral strategies and the MTEF, and the review of the functions of autonomous agencies.

In line with the above, through a broadly participatory process led by the Ministry of Public Service (MOPS), the Government completed its revamped PSRP strategy in 2005. Furthermore, the GOU has solicited the support of the World Bank and other DPs for its implementation. In parallel, Government has recognized that there is a need to address capacity and performance issues in the public sector as a whole, particularly in the areas captured in the PEAP results-matrix and the associated Poverty Reduction Support Credit (PRSC) benchmarks. Therefore, the Government has requested that, beyond supporting the PSRP implementation, the Bank should fund other high-priority public sector capacity and performance enhancement interventions. In response, the Bank has prepared the Uganda Public Service Performance Enhancement Project (UPSPEP), which will support the implementation of the PSRP as well as these other capacity development and performance enhancement interventions.

2. Rationale for Bank involvement

Over the years, the World Bank has supported Uganda's PEAP implementation through the PRSCs and sector development programs (SDPs). During each of these PRSC processes, the need for a complementary intervention that would seek to enhance public sector capacity and performance to deliver quality services has been flagged. In the Uganda Joint Assistance Strategy (UJAS), the need for comprehensive public service reforms is also cited as one of the four key elements in DPs' support for strengthening governance institutions. This is viewed as critical to improving efficiency, effectiveness and accountability in the use of public resources and, in turn, improving public service delivery and reducing poverty.

UPSPEP will help close the gap in public sector performance that has been prominent in successive PRSCs processes in Uganda. The implementation of many benchmark actions in the PRSCs was delayed or rendered ineffective due to inadequate funding and limited technical capacity. In this regard, the need to have an instrument complementary to the PRSC policy dialogue, and which would help address capacity gaps in the public sector, was keenly felt by both the Government and Bank staff.

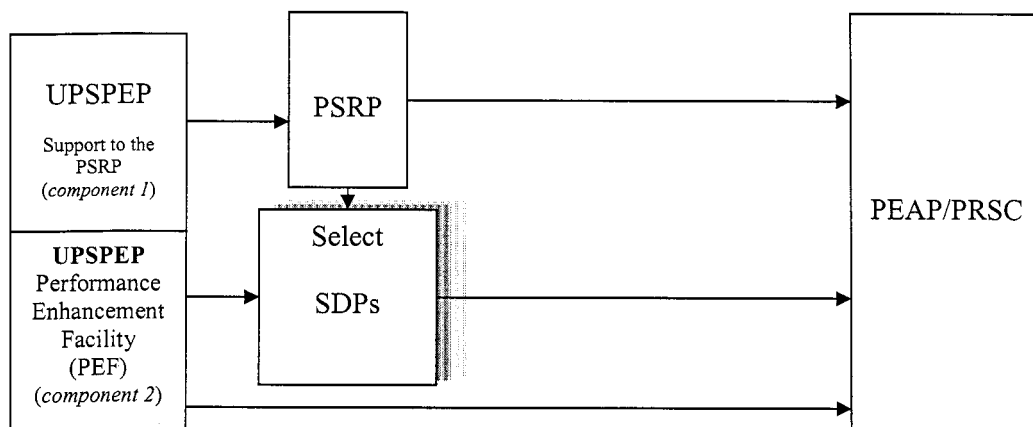
Furthermore, as reflected in the 2005 World Bank Africa Action Plan (AAP), "the combination of PRSCs with parallel capacity development operations assist governments develop reform options and foster demand for civil service reforms inside and outside the

administration.” The AAP pledges World Bank support to countries of the region undertaking public service reform, particularly reform of human resources management, and pay and incentive systems. The report of the World Bank’s task force on capacity building in Africa in 2005 entitled, “Building Effective States – Forging Engaged Societies”, strongly favors strategic and comprehensive approaches to capacity development. UPSPEP will be the instrument for operationalizing the Bank and other DPs’ support to comprehensive public service reform and its complementary public sector capacity development initiatives.

The second component of UPSPEP, the performance enhancement facility (PEF), is the Bank’s response to the need for a flexible approach to improving performance in the context of the reforms identified through the PEAP/PRSC dialogue. This approach is consistent with the Strategic Framework for IDA’s Assistance to Africa (SFIA) and AAP, both of which point to the need to develop innovative instruments to build capacity. In this respect the SFIA went so far as to specify Uganda as a candidate that potentially could benefit from a capacity building facility. Furthermore, the AAP mentions the combination of PRSCs with parallel capacity development operations as a means to foster demand for an improved public service. The PEF component is therefore an instrument that accords well with the Bank’s strategy to respond effectively to the challenges of comprehensive and innovative capacity development.

The public sector management transformation to be supported by UPSPEP is central to consolidating and enhancing Uganda’s past governance and poverty reduction achievements. The effective implementation of UPSPEP will affect the pace and quality of achievement of PEAP goals through the project’s direct support to implementing the PSRP, and to addressing institutional and capacity issues in both sector development programs (SDPs) and the PRSCs’ reforms. The linkages between UPSPEP and the PEAP are illustrated below in Figure 1.

Figure 1: Linkages between UPSPEP and the PEAP



Other development partners look to and depend upon Bank leadership in the area of public sector management reforms and capacity development. The Bank’s international experience, global perspective in the areas of capacity development and, more specifically, its technical expertise in public service reform is regarded by government and DPs as key to ensuring the quality and utility of policies, strategies and results in these areas.

3. Higher level objectives to which the project contributes

The PEAP is explicit that making government structures affordable, transparent and efficient is a core, high priority, strategic objective, and its pursuit is reflected in UPSPEP's components. The PEAP also points out several other objectives, especially in the economic management pillar, where enhanced capacity and the performance of public sector institutions are critical. UPSPEP will contribute to improving efficiency and effectiveness in the use of public resources, creating a more enabling environment for non-state sector operations, expanded public service delivery, enhanced economic growth and poverty reduction.

B. PROJECT DESCRIPTION

1. Lending instrument

UPSPEP will be a five-year specific investment loan (SIL) that will provide the flexibility to create and rehabilitate both institutional and economic infrastructure. This operation is closely linked to the policy dialogue, as confirmed by the PEAP matrix.

2. Project development objective and key indicators

The project will support: (i) the transformation of the public service so that it is affordable, efficient and accountable for the use of public resources and service delivery; and (ii) improvements in the policy, institutional and regulatory environment for sustainable growth and service delivery.

The monitoring and evaluation framework of the project is presented in **Annex 3**. Its key outcome indicators include:

- (a) Enhanced performance and accountability by public sector organizations as evidenced by the percentage of the public satisfied with service delivery.
- (b) Effective implementation of ROM as an integrated performance management system in MDAs and LGs and reports of high achievement of their annual performance targets.
- (c) Percentage of the total establishment and wage bill captured in the integrated personnel and payroll system (IPPS) database, thus signaling commitment to the installation and use of IPPS as a key measure to manage integrity of the payroll, human resources (HR) information and the wage bill itself.
- (d) Estimated savings from efficiency and effectiveness reviews particularly in social sectors.
- (e) Motivated and adequately remunerated public service as evidenced by real increase in pay each year at minimum level complemented with faster acceleration at technical, managerial and professional level.
- (f) Number of PEAP/PRSC benchmark actions benefiting from the PEF, signaling the removal of capacity gaps in high priority policy implementation.

3. Project components

UPSPEP comprises two components with a total IDA budget of US\$70,000,000. The first component supports the implementation of the government's Public Service Reform Program (PSRP) through a sector-wide approach program (SWAp). The second component fosters performance enhancement initiatives on a demand-driven basis supported by a performance enhancement facility (PEF). Access to funding will be clearly linked to each MDA's performance improvement plan for better service delivery and their demonstration of a commitment to organizational transformation.

COMPONENT 1. PUBLIC SERVICE REFORM PROGRAM (PSRP) – TOTAL COST US\$31.6 MILLION (US\$15.0 MILLION FROM IDA)

This component supports the government's comprehensive, strategic framework for its PSRP. The strategic framework embodies clear links to the PEAP and SDPs. The key strategic objectives that will be pursued through Bank support to the implementation of the PSRP comprise the following: (i) Enhanced management capacity, performance and accountability of public service organizations; (ii) Improved efficiency in organization and management of the public service; and (iii) Effective leadership and change management.

GOU and stakeholders, in a participatory process, have defined the components of the PSRP. The total budget for the PSRP over five years is US\$32 million. Implementation, monitoring and evaluation of the program will be within the framework and modalities already defined by the Government in the PSRP strategy document. Firstly, UPSPEP will support the PSRP in collaboration with support provided by other DPs through a SWAp with pooled funding. Secondly, the implementation and monitoring and evaluation (M&E) will be mainstreamed in the operating structures of the MOPS and other concerned MDAs.

The key areas of the PSRP that will be supported under UPSPEP component 1 are elaborated below under the three strategic objectives.

Strategic Objective 1 – Enhanced management capacity, performance and accountability

In pursuit of this objective, the PSRP will address areas of weak management capacity, performance and incentives at both organizational and individual levels. The key interventions will comprise: (i) implementation of a performance management system that will drive each MDA and its staff towards ROM; (ii) introduction of measures that enhance the public and other stakeholders demand for accountability by public service organizations and individual officers, especially through the use of client service charters and service beneficiary surveys; (iii) implementation of an IPPS to facilitate efficient and effective management of human resources; (iv) creation of a more enabling and empowering work environment; and (v) pay and pensions reforms to facilitate the recruitment and retention of a critical mass of technical and professional personnel. Pay and pensions reforms will also contribute to better motivation, integrity and performance by public servants. These interventions are covered under the following components in the PSRP:

(i) Performance and Accountability (PSRP Component 1 - US\$1.6 million)

The objective of this sub-component is to enhance the performance and accountability of public service organizations. The main thrust for improving performance is the systematic

implementation of ROM as an integrated performance management system in the medium to long-term. The sub-component aims to:

- (a) cultivate the commitment and support of top level political and technical leadership;
- (b) empower and enable MDAs and local governments (LGs) to drive ROM implementation in their respective organizations;
- (c) integrate ROM with planning and budgeting systems;
- (d) embed an integrated performance management system;
- (e) strengthen the demand for performance and accountability; and
- (f) facilitate debureaucratization and enhance client focus in public service delivery.

Cultivate commitment and support of the top level political and technical leadership. This will entail sensitizing key stakeholders about ROM; articulating the role of ROM in the proposed White Paper on public service transformation; and encouraging MDAs to involve political leadership in ROM processes, especially at the strategic level.

Empower and Enable MDAs and LGs to drive the implementation of ROM in their respective organizations. This initiative will support both MDAs and LGs to devise strategies for embedding ROM in their processes and systems.

Integrate ROM within planning and budgeting systems. The output-oriented budget (OOB) initiative by the Ministry of Finance, Planning and Economic Development (MOFPED) is particularly important in this regard and is widely acknowledged by key government organizations. The directorate responsible for ROM will participate in the Public Expenditure Management Committee charged with ensuring the realization of the integration of ROM and OOB.

Embed an integrated performance management system. The reconfigured ROM system will also take monitoring and appraisal of performance and accountability to the level of individual public officers by providing for organizational performance targets to be cascaded down to the level of individuals. In addition, an overhauled staff appraisal system will facilitate the modification of behavior by formally specifying criteria for performance appraisal. In this way, MDAs will be in a position objectively and effectively to reward performance and direct training. This will enable the Service Commissions better to decide on placement, promotion and discipline.

Strengthen the demand for performance and accountability. Citizens will have access to information on resource allocation, service delivery standards and actual performance, thus enabling them to monitor and evaluate the public service and to be more effective in voicing their opinions. In line with the 2004 report on the joint annual review of decentralization, this approach will need to be extended to LGs. It will also require public institutions to enhance their public relations and information, education and communication (IEC) functions.

Facilitate debureaucratization and enhance client focus on public service delivery. MDAs will be encouraged to identify options for debureaucratization as well as innovations that

focus on simplifying or re-engineering administrative systems, procedures and processes; and alternative forms of service delivery (e.g., private-sector participation, outsourcing, one-stop centres, etc.). MDAs will identify these options during the strategic planning stage of ROM, and/or during the restructuring process.

(ii) Human Resources Capacity (PSRP Component 2 - US\$7.0 million)

This sub-component aims to ensure that the public service is staffed with an adequate number of skilled and motivated professional, technical and managerial personnel. Therefore, it promotes and supports:

- (a) the development and institutionalization of a meritocratic system across the public service;
- (b) the installation of an IPPS closely linked to the Integrated Financial Management System (IFMS);
- (c) the introduction of a comprehensive approach to human resources development; and
- (d) the launching of a senior executive service in the medium- to long-term.

Development and institutionalization of a meritocratic system across the public service. In order to ensure that bottlenecks to efficient recruitment are removed, this activity will seek to strengthen the capacity of the Public Service, Sector-related and District Commissions to enable them uphold the principles of recruitment and promotion by merit through, for example, the publication of codes of practices and guidelines. The public service has made positive strides in tackling issues of diversity (equity) by embedding new policies related to recruitment, training and compensation in the revised Standing Orders; and decentralizing the implementation and coordination of initiatives at the MDA level through focal point officers. However challenges persist, especially around ensuring that disadvantaged groups within the public service, including women, are adequately empowered to take advantage of opportunities to advance their careers. Measures to better prepare women and other disadvantaged groups to seek promotion have thus been developed. They will also have access to mentoring and support networks.

Installation of the IPPS. The IPPS will be a more effective tool for managing, monitoring and controlling the level of public service employment as well as the wage bill within the targets specified in the medium-term pay strategy. It will facilitate the storage and retrieval of complete and reliable management information. The IPPS will also support HR planning and meritocratic practices such as the open performance appraisal system, transparent promotion practices, and gender and diversity analysis. The IPPS will have an automatic interface with the IFMS to allow information on public service salaries to be shared, removing room for data-entry errors. The IPPS will also take advantage of the IFMS infrastructure, including its wide-area network.

Introduction of a comprehensive and sustainable human resources program. This initiative will ensure that professional, managerial and technical positions in the public service are filled through acquisition and deployment, by resources/staff that have the requisite qualifications by introducing succession planning; building HR planning capacity;

conducting periodic audits on skill levels; and undertaking a comprehensive review of schemes of service.

Launch of a senior executive service. This initiative will culminate in wider consultations within the Uganda public service and its stakeholders, with a view to developing a policy for Cabinet approval.

(iii) Enabling and empowering work environment (PSRP Component 4 - US\$19.3 million)

This sub-component will support the creation of a more enabling and empowering work environment. The strategic initiatives will include:

- (a) Development of policies on crosscutting issues to enhance work environment;
- (b) Demand-driven improvements to the work environment; and
- (c) Improvements in records management and decongestion of registries.

Development of policies on crosscutting issues to enhance work environment. In collaboration with lead agencies, MOPS will participate in the development of policies on crosscutting issues affecting the work environment such as HIV-AIDS, gender, and information, communication technology (ICT) and ensure their mainstreaming in sector strategies.

Demand-driven improvements to the work environment. There is need in almost all MDAs to remove operational constraints, modernize processes/practices and re-tool to enhance organizational performance. This initiative is supported through UPSPEP Component 2 since the Bank wants to support public sector organizations more broadly.

Improvements in records management and decongestion of registries. A new records centre will be established because the existing one is no longer adequate. The centre will support the decongestion of registries in MDAs and assure the proper retention and disposal of files and other documentation by providing secure and economical storage and rapid retrieval services for inactive paper records. As part of this initiative, training courses will be provided to registry staff and users of the centre.

(iv) Pay and Pension Reforms (PSRP Component 5 - US\$0.3 million)

To motivate and adequately remunerate personnel, this sub-component will continue to foster the enhancement of public service pay and the reform of the pension system. The strategy fully recognizes that pay is a necessary factor but not the only one motivating improved performance of public officers. Therefore this sub-component has to be synchronized with the others oriented towards achieving the same outcome. The implementation strategy for sustained pay enhancement is predicated on broad acceptance of a revised pay policy framework and its wide dissemination throughout the service. It requires MOPS and MOFPED to collaborate closely each year to agree on wage bill targets consistent with the pay policy framework. Moreover, further work on pension reform will be undertaken. Activities will include:

- (a) develop a comprehensive public service pay policy;
- (b) design a strategy for the new pay scheme and the funding of current arrears;
- (c) conduct job evaluations for the public service;
- (d) monitor the progress and impact of pay reform;
- (e) develop and implement a framework for the advancement and retention of staff in hard-to-reach areas;
- (f) review pension legislation and its administrative framework; and
- (g) verify and validate pensions arrears and develop a strategy for clearing arrears.

Strategic Objective 2 – Efficiency in organization and management (PSRP Component 3 - US\$1.1 million)

The PSRP component for achieving the above strategic objective emphasizes restructuring of government to enhance its efficiency and affordability. Lessons learnt from improvements in efficiency of these structures during the first two phases of the PSRP point to the need for new initiatives to sustain these improvements. The organization of government needs to be regularly reviewed, including the operations of its entities and its staffing levels in order to minimize duplication of functions, redundancies and other forms of wastage. Thus this sub-component will:

- (a) review the roles and functions across government;
- (b) rationalize and restructure public sector organizations; and
- (c) provide for efficient deployment of personnel.

Review the overall allocation of roles and functions. Taking into account relevant constitutional changes and legislation, the roles and functions of public service institutions' mandates and functions will be reviewed to: (i) identify those that constrain public service and LG managers from effectively performing their responsibilities; and (ii) specify gaps, and eliminate overlaps or duplication of these functions in other organizations. The review will also address two areas specified in the PEAP namely: (i) the number and mandates of ministries; and (ii) the process of establishing district authorities.

Rationalize and restructure public organizations. This includes reviewing existing circulars and policy documents; developing viable options for simplifying steps in the restructuring process (particularly approvals), and putting in place a new policy and guidelines. The PSRP will also support the implementation of affordable model structures at LG level.

Provide for efficient deployment of personnel. Through this initiative, payroll inspections will be performed as one of the bases for promoting an accountability culture, identifying systemic problems and weaknesses and minimizing exposure to the loss of resources. Cost-effectiveness and efficiency studies will be conducted with a view to realizing fiscal savings and ensuring the optimal deployment of resources.

Strategic Objective 3 - Leadership and Management Development (PSRP Component 6 -US\$2.2 million)

This PSRP component aims at: (i) ensuring that both political and technical leadership in government are informed about, committed to, and participate in the implementation of the PSRP; (ii) ascertaining that the technical leaders can more effectively anticipate change and contribute to shaping new policies; and (iii) making certain that MOPS has the leadership and management capacity needed to spearhead the transformation of Uganda's public service. This will be achieved through:

- (a) conducting awareness and sensitization sessions to reinforce and sustain political and stakeholder support for the PSRP;
- (b) strengthening the government's policy-making capacity; and
- (c) implanting the capacity for managing change within the public service.

Conduct awareness and sensitization measures to reinforce and sustain political and stakeholder support for the program. MOPS will undertake to sustain the political support for the PSRP. It is essential that the senior political and technical management are aware of and buy into the objectives and desired outcomes of the reform program. This will include endorsing a Cabinet memorandum on the revamped PSRP. The memorandum will provide the basis for revitalizing the program and reaffirming the top, political leadership's role as custodian and promoter of the vision. The PSRP will also seek this group's active involvement in reviewing the program's performance and assuming a central role in addressing fora where progress is communicated.

At another level, MOPS will take a more proactive approach to disseminating information about the PSRP to internal and external stakeholders as well as clients. This will include the development of popular versions of the PSRP strategy, news features, and brochures for publication in various media; and participation in press, radio and television interviews. The specific interventions and their desired impact will be articulated in an IEC plan to be developed at the outset of the implementation of the PSRP. In addition to identifying the best way to communicate with stakeholders, it will also identify mechanisms to solicit feedback on the impact of the PSRP.

Strengthen the government's policy-making capacity. MOPS will document the MDAs' policy functions and assess the capacity of each organization to fulfill these functions; the assessment will address current capacity for research, environmental scanning, strategic thinking, forecasting, etc. This will inform the development of capacity-development interventions to ensure top-class intellectual rigor is available and applied to develop and analyze policy options leading to more effective decision-making. Interventions to strengthen policy management will include, for example: the introduction of a targeted recruitment program; opportunities for policy analysts to undertake new assignments; general policy-training for new recruits; work with policy 'think-tanks' from civil society; and involvement of the political leadership in reviews and discussions on performance and priorities.

Implant the capacity for managing change within the service. Two critical change management initiatives will be implemented:

- (a) GOU will restructure MOPS and the Administrative Reform Secretariat (ARS) so that they are better aligned with the objectives of the PSRP and the intended transformation of the public service. This will entail changes to reporting structures to minimize segmentation and overloading of decision-makers, and to ensure effective coordination and interaction; and
- (b) MOPS will develop and implement a change management strategy. The PSRP will handle complex variables relating to the participation of a significant number of organizations and their staff. These variables limit the extent to which change can be planned on a comprehensive basis over the medium-term. Initially, the change management strategy will focus on imparting the skills required to tackle current critical issues. Over time the MOPS will be able to assess and deal with emerging challenges and impart the skills required by managers and staff throughout the public service.

COMPONENT 2. PERFORMANCE ENHANCEMENT FACILITY (PEF) – IDA US\$55 MILLION

The PEAP identifies the need to undertake comprehensive reforms including capacity development of the public sector in order to achieve Uganda's ambitious economic development and poverty reduction goals. Many of the capacity development needs are addressed through SDPs as well as through such crosscutting reforms as the financial management and accountability reforms, the decentralization program and the PSRP (Component 1 of UPSPEP).

The PEF component of the UPSPEP supports public-sector capacity-development and performance-improvements beyond what is covered in the other programs to the extent that capacity gaps are either anticipated or emerge in the course of the implementation of programs and projects identified in the PEAP/PRSC priorities. Through the PEF component, UPSPEP will provide for comprehensiveness in the approach to public-sector capacity-development and performance-improvement in Uganda. The PEF is a facility that will provide grants to public sector organizations; it will enable them to enhance their capacity to improve their performance. The achievement of specific outcomes related to a MDA performance improvement plan are key aspects of the facility.

In this latter perspective, the PEF component has thus been conceived as a comprehensive, flexible and programmatic approach to enhancing the performance of public sector organizations. The overriding aim is to help MDAs meet performance targets and attain the service delivery objectives that underpin the national strategies for economic performance and poverty reduction as documented in the PEAP. PEF offers an incentive to creatively transform their capacity and performance, and thereby make their due contribution to the achievement of the country's development and poverty reduction goals.

Key features of the PEF

The key features of the PEF and its operational modalities are described in detail in a manual whose main elements are summarized in annex 4B. The key features of the facility are set out below.

Holistic Approach. No gaps will remain unaddressed. This perspective also reflects that performance enhancement occurs in multiple sub-systems that are part of the overall reform.

These include individual needs (human resources development) short-term and long-term gaps in capacity; organizational strengthening (performance enhancement) and finally institutional development (the broader reform agenda).

Demand-Driven and Need-Based. The PEF is designed to be demand-driven and need-based. This will be realized through a process whereby MDAs are: (i) provided with adequate information on what the PEF is about and how to access the facility; (ii) required to determine their own capacity development needs and the preferred ways to tackle the challenges; and (iii) expected to develop and write their own proposals for accessing the PEF. This decentralized, flexible, MDA-based and demand-driven approach to identifying capacity development and performance enhancement targets will provide for a greater result orientation of the interventions supported by the PEF. Although MDAs are fully responsible for identifying and preparing proposals to access the facility, they may be assisted by MOPS in the preparation of such proposals. However, the quality of the application and the efficient and effective implementation of the approved activities will be the sole responsibility of each beneficiary MDA. These responsibilities are spelled out in the PEF operations manual.

Checks and balances to ensure fairness, transparency and accountability. The PEF will have a governance structure that prevents capture by a single organization and provides for the involvement of key, cross-cutting organizations, i.e., the Office of the Prime Minister (OPM), MOFPED, the National Planning Authority (NPA), the Public Service Commission (PSC), the Ministry of Local Government (MOLG) and MOPS in overseeing and recommending the activities to be funded. In addition, the private sector and civil society will be represented respectively through the Uganda Private Sector Foundation and the NGO National Forum. The chief executives of these organizations will form the Technical Advisory Committee (TAC) responsible for receiving, reviewing and recommending funding for the PEF proposals. The controls, checks and balances in the governance mechanism are described further in Annex 4B, and in full detail in the operations manual.

Eligible/ineligible interventions

The PEF operations manual elaborates on criteria to be used in evaluating proposals for PEF support. The table below summarizes a checklist of eligible and ineligible interventions. In addition, the manual also indicates what projects and interventions may be eligible for PEF funding and also which ones are considered ineligible.

Table 1: Eligible/ineligible interventions for PEF funding

Eligible interventions	Ineligible interventions
<p>PEF will finance interventions that enhance the capacity and performance of the respective MDAs for improved service delivery. Eligible interventions are likely to fall into the following categories:</p> <p>(a) Cross-cutting capacity development and reform initiatives including:</p> <ul style="list-style-type: none"> • Development of national sector strategies and action plans. • Support to public financial management reforms, procurement reforms; and or public service reforms. • Technical support required for the implementation of sector strategies and action plans; identification of institutional issues and constraints to sector development; and specifying strategic objectives and outcomes for sector-wide performance improvement orientation. <p>(b) MDA-specific capacity development and performance enhancement initiatives including:</p> <ul style="list-style-type: none"> • Technical support at all stages of the development of a MDA’s strategic plan, annual work plan, monitoring and implementation plan. • Technical skills in information technology, procurement, financial management, strategic leadership, and management skills for decision-makers. • Short-term and carefully selected and targeted training in policy analysis and formulation, planning and budgeting, strategic leadership and management, team building and other areas determined to be crucial to the achievement of strategic objectives. • Re-tooling in participating organizations to improve both working facilities and environment including computers and software, in the context of enhancing the capacity of the MDA to deliver on its strategic plan. • Support to organizational restructuring or business process re-engineering that is linked to implementation of strategic plans and service delivery. • Activities linked to the above for which the MDA does not have access to another primary source of funds. 	<p>PEF will not be used for interventions that are not for specific capacity development and service delivery improvement results. Neither will it finance activities from specific proposals that are not linked to the targets identified in the PEAP/PRSC or SDP initiatives results. More specifically:</p> <ul style="list-style-type: none"> • Salaries, salary enhancements, allowances and other remunerative staff benefits, except for fixed-term technical expertise. • Construction and other civil works. • General administrative and other recurrent expenditures of the MDA. • Activities with funding commitments from other sources. • Training activities and study tours except where they can be clearly linked to results and can be justified as the most cost-effective solution. • Activities that are commercial in nature. • Motor vehicles (except where they are critical inputs to achieve major improvements in service delivery and they constitute no more than 30percent of a package of reform measures contained in a proposal for PEF).

Evaluation criteria for PEF proposals

The criteria for PEF funding are designed to ensure meritocracy, transparency and accountability in selecting beneficiary MDA initiatives for PEF support. The criteria and the associated scores are part of the PEF operations manual and the key features are presented in Annex 4B.

Prospective projects for PEF funding

The demand to use the PEF facility is already evident. Preparation is well underway for three capacity development and performance enhancement projects with a total estimated budget of US\$47.0 million, each of which will be presenting a proposal to the PEF for grant support. These three projects, presented in more details in Annex 4B, are:

- (a) Support for financial sector upgrading intended to deepen financial systems and increase the absorptive capacity of the economy. Implementation of this initiative should contribute to: diversifying economic activity, reducing dependency on agriculture and increasing the capacity of the economy to absorb donor inflows. This includes: (i) enhancing financial system efficiency and outreach; (ii) promoting loan term-financing and developing capital markets; (iii) enhancing prudential sector stability and regulation; (iv) improving systemic liquidity management; and (v) strengthening anti-money laundering efforts (US\$17 million).
- (b) Capacity development for improved national statistics, especially as they relate to the monitoring and evaluation of government programs. It would include: (i) initiatives to improve data production identified in the plan for national statistics development (PNSD); (ii) the preparation of MDA sector strategies for those not yet in the plan; and initiatives to strengthen the use of data in monitoring and planning (US\$10 million).
- (c) Support to the new Public Procurement and Disposal of Public Assets Authority (PPDA) to implement its recently legislated mandate to develop a competent cadre of procurement professionals in the public service by: (i) establishing a fair, transparent and accountable procurement system; (ii) raising the government's reputation for integrity by reducing the incidences of corruption in public procurement; and (iii) making better use of government's budget by obtaining better value-for-money in public procurement (US\$20 million).

The Bank would review the implementation of the PEF approximately 12-18 months after the first disbursements with a view to assessing the demand for the PEF. Since this is an innovative approach it will be important to assess the strengths and weaknesses of the mechanism early-on in order to make any adjustments necessary, either to improve its operations, or, to consider scaling up the PEF by adding funds should there be a high demand for the facility. At that time, should there be interest from other DPs, the Bank would discuss with GOU the possibility of moving to a pooled funding arrangement for the PEF. Appropriate action regarding the possibility of scaling up would be addressed during the mid-term review.

4. Lessons learned and reflected in the project design

The design reflects lessons learned from both Uganda and elsewhere. Lessons learnt from outside and reflected in the UPSPEP design include the following:

- (a) The Bank's experience suggests that a programmatic approach fosters more ownership and greater coordination. Intrusive micromanagement, especially by several uncoordinated donors, increases transaction costs and weakens African capacity, government accountability, and overall effectiveness. UPSPEP's support to the PSRP will therefore be in the form of a SWAp contributing to pooled funds with other DPs. GOU has created a public sector management working group (PSMWG) that will conduct the dialogue around the PSRP agenda and ensure the links to other reforms and to the broader PEAP objectives. DPs are part of this dialogue. UPSPEP is IDA's response to this programmatic approach.
- (b) The creation of enclaves, e.g., project implementation units (PIUs) drains the public service of many of its best human resources. In the past, fragmented projects, each with its own administrative procedures and implementation unit, have created parallel aid economies that splinter budgets and divert senior officials (as noted in "Can Africa Claim the 21st Century"). In response the implementation of UPSPEP components are mainstreamed in MOPS and the MDAs.
- (c) It takes decades to assess the impact of a public service reform program and its associated capacity-development activities. However, there is a basis for anticipating that enhanced capacity and performance improvements will translate into better service delivery. The PSRP strategic framework and related outcomes and outputs are linked to the overall GOU PEAP matrix. UPSPEP will use the M&E system of the PSRP to track outputs and outcomes from the outset. The PRSC policy dialogue will provide another avenue to assess the progress of public service reforms.
- (d) Low salaries persist as the most pervasive constraint to increasing public service productivity and effectiveness. The pay issue is fully integrated into the PSRP and is part of the PEAP/PRSC policy dialogue. UPSPEP is designed to support the comprehensive PSRP. Other motivational aspects are also part of the PSRP and will be supported by both components of UPSPEP.
- (e) The key to improving performance in public bureaucracies is to build networks within and between hierarchies rather than building hierarchies per se. UPSPEP will empower MDAs to implement their own organizational transformation through access to the PEF.
- (f) SFIA and AAP have pointed to the need to develop innovative instruments to meet Africa's development challenges. UPSPEP is a response to this challenge, particularly since Uganda is among the countries identified by SFIA as candidates that can move to the use of a capacity development facility in terms of an "emerging partnership model".

Other pertinent local lessons include:

- (a) Past projects failed to take into account the role of incentives. Even when incentives were weak or perverse, a lot of resources were poured into projects that did not work, particularly when the beneficiary was not involved in relating this assistance to its development objectives. The development of the PSRP was participatory and will be implemented by MDAs themselves. Furthermore, the PEF component requires that MDAs reflect on their trajectory for transformation and hence be fully concerned with their own reform agenda.
- (b) Performance improvement at the organizational and institutional levels has been hampered by the fact that capacity, once developed, has often not been used appropriately and/or because incentives were not commensurate with the skills developed and responsibilities assigned. The PSRP seeks to establish a close link between improved capacity and performance with corresponding incentives.
- (c) The impact assessment of the training fund component of the Uganda ICBP concluded that a demand-driven approach, in addition to having an impact at the individual level (positive attitude towards work, improved relationships among staff, effective use of new skills, improved interpersonal relations), lead to better and more committed staff, and also had beneficial results at the organizational level. The PEF component builds on this particular approach and scales up the demand-driven approach.

5. Alternatives considered and reasons for rejection

The most important criterion or factor in considering alternatives for this project was the need for an instrument that would be flexible, responsive and allow for an innovative approach, building on lessons from experience. Possibilities included:

Budget support through PRSCs: Ring-fencing a portion of the PRSC to support performance improvement and capacity development was considered. However, since the PRSCs are only disbursed yearly, they are not appropriate for the support of longer-term, institutional changes aimed at improving the capacity and performance to transform the public service. Institution building and capacity development require commitment and predictable resources over a longer-term period. In addition, thus far, notwithstanding Uganda's progress in planning and budgeting (MTEF in particular) reforms, there is evidence that the current process has not matured to the point that it can be relied upon to identify and allocate resources to critical and strategic reform needs. Past experience with PRSCs shows that public service reforms failed to be awarded an adequate share of resources. In addition to public service reforms, the planning and budget process has generally fallen short of allocating resources required to strengthen institutions for procurement, statistics, etc. It is in this context that the need for UPSPEP to complement the PRSC has been confirmed.

Standard technical assistance (TA) project. This approach seemed too narrowly focused considering that the government has decided to move to a more programmatic approach with the use of SDPs and PRSCs as instruments for policy dialogue. A TA project does not fit a flexible and demand-driven milieu. Neither does it promote all-inclusive dialogue and coordination of efforts among DPs and with government. UPSPEP seeks to encourage the move towards a strategic, programmatic approach that will require a comprehensive, flexible, demand-driven, process-based approach to support the dialogue initiated on reforms agreed at

the PRSC level. The GOU has requested specifically that the PSRP be supported through a SWAp with pooled funding.

Adaptable program loan (APL). This instrument would be the most appropriate given the magnitude of the issues being addressed and the recognition that organizational and institutional capacity development takes a long time. However, for the time being, the dialogue between government and DPs has focused on the implementation of a five-year program. During the implementation of UPSPEP, GOU will gain a better appreciation of what would constitute a longer-term reform program and its related performance enhancement requirements. During the mid-term review of the project, this avenue and others will be explored and assessed.

With regard to the second component of the project, the PEF, the following options and issues were considered:

- (a) The GOU could allocate its own funds from the government budget. However, given the lack of sufficient domestic resources to address all priorities, especially short-term ones, it is virtually certain that longer-term capacity development and performance enhancement interventions would not be sufficiently funded.
- (b) Several, small, donor-funded projects could be developed but the coordination and scope of coverage would be problematic. Transaction costs would certainly be higher. Furthermore Government has asked DPs to move away from the project approach.
- (c) A single, traditional, pre-planned, jointly funded capacity-building project could be developed but, with needs emerging in the course of PEAP and PRSC implementation and the ongoing GOU/donor policy dialogue, there is little likelihood that it would be sufficiently predictive, perceptive of new needs, flexible or responsive.
- (d) A mechanism that would complement the PRSCs. Firstly it would meet its capacity requirements and, secondly, it would be a close companion for policy dialogue. It would be developed as a single instrument able to provide flexible, responsive and timely support to the capacity development interventions required to enhance the performance of the public service.

The latter option was retained.

C. IMPLEMENTATION

1. Partnership arrangements

The GOU, through the partnership principles (PP) agreed in 2003, sets out the guidelines that effectively link DP support to the PEAP, provide for harmonization of DPs' processes to reduce transaction costs and highlights the preferred modalities for this support. The PP are further built on in the recently approved Uganda Joint Assistance Strategy (UJAS) that presents the core strategy for seven DPs for the years 2005-09 and provides a basis for the DPs' support to the implementation of the PEAP.

In supporting the PSRP through a SWAp process, UPSPEP's design reflects one of the GOU's preferred modalities of support from DPs, i.e., sector budget support, which is further endorsed through the UJAS. The GOU through the PP highlights the two requirements for sector budget support, as being: (i) a SDP; and (ii) an agreement between the line ministry, MOFPED and DP through the yearly consultative budget process. In this regard, the GOU has put in place the public-sector-management-sector working-group (PSMSWG) and the first SDP of which the PSRP forms a core element. DPs have agreed to support the PSRP through a pooled funding approach. To support this process, DPs, including UK-DFID, DANIDA, Irish Aid and the World Bank are formalizing a PSR DP group that will dialogue continually around the issues of the PSRP and provide inputs to the semi-annual review of the program. Currently the PSR donor group participates in quarterly reviews of the ongoing, interim support to the PSRP.

In addition, the PSRP has been developed in close collaboration with MDAs and DPs. At present some DPs are supporting the PSRP through an interim pooling arrangement. The partners involved include UK-DFID, Irish Aid, DANIDA, and Austria. The following donors will continue to support the PSRP through the pooled funding arrangement with IDA: (i) UK-DFID (US\$10.5million); (ii) DANIDA (US\$6.0 million – proposed); and (iii) Irish Aid (US\$70,000).

Furthermore, under component 2 - the PEF, UPSPEP will provide US\$55.0 million to support performance enhancement initiatives that have been identified as priorities in the PEAP on a demand-driven basis. The African Development Bank (AfDB) has indicated its interest in joining the Bank to support the PEF at a later stage. This would be examined during the mid-term review of UPSPEP.

2. Institutional and implementation arrangements

UPSPEP will support the implementation of the GOU SWAp for public service reforms. The key principles that govern the implementation arrangements for the PSRP include: (a) effective participation of all stakeholders; (b) mainstreaming program management within the structure of the MOPS; (c) fostering links with other reforms; and (d) government leadership to coordinate DPs' support. These principles are elaborated in the PSRP strategy document and its operations manual. They are also summarized in Annex 4B. Among the key features of these arrangements are the following, which are also described in Annex 6.

- (a) Strategic direction and approval of proposals by the Head of the Public Service/Secretary to Cabinet (HOPS).
- (b) Coordination and planning, prioritization and resource allocation and management by the PSMWG whose membership includes: PSs and other top officers of the MOPS, OPM, MOLG, MOFPED, Local Government Finance Commission, National Planning Authority (NPA), PSC; and representatives of the DPs. The working group will oversee the PSRP with its pooled funding arrangement. A Memorandum of Understanding (MOU) to govern the implementation of the PSRP has been prepared.
- (c) Mainstreamed implementation by individual MDAs in a decentralized, participatory framework.
- (d) Technical leadership, coordination and management by MOPS.

During UPSPEP preparation, and as reflected in the PSRP strategy document, it is clear that MOPS does not currently have the skills required to fully assume technical leadership, coordination, and oversight of the program. In particular, the procurement capacity of the ministry needs to be strengthened. In the meantime, the IDA project preparation facility (PPF) has been utilized to commence capacity development in these two areas. The interim, pooled fund for the PSRP, provided by other DPs, is also being used to improve the skills of the officers who will be responsible for implementation. An institutional assessment of MOPS identified specific areas for improvement. This will be done by providing skills training or in certain areas by providing technical expertise on a needs basis.

In section B.3 (project description) above, the principles and unique features for the implementation and operational modalities of the second component (PEF) were highlighted. The PEF operations manual, that will guide the implementing agencies, describes these modalities in detail. The key elements are presented in Annex 6. In brief, they are:

- (a) MOPS will house the facility and perform technical and administrative coordination functions. The PS MOPS is the overall coordinator of the PEF and is also the “accounting officer” as defined in the Uganda Public Finance Act 2003.
- (b) The TAC, chaired by the PS OPM, and established by GOU, will have the mandate to appraise the proposals made to the PEF and make recommendations to the ICSC for successful applicants (MDAs) to be given PEF grants. The TAC will be provided technical and administrative secretariat services by the MOPS, which is being strengthened for that purpose.
- (c) The HOPS will approve MDAs’ successful proposals for access to the PEF on recommendation from the TAC. MOPS will inform the successful MDAs. The HOPS will inform periodically the Implementation Coordination Steering Committee (ICSC) accordingly.

Individual MDAs are primarily responsible for identification and implementation of the PEF support they need for capacity development and other performance enhancement interventions. When necessary, MOPS will provide guidance and technical support to MDAs for the preparation of the proposals to the facility, as well as for implementation, including procurement, accounting, M&E and reporting.

The procurement management under UPSPEP will be both mainstreamed in the activities of the implementing agencies and decentralized to the beneficiary agencies in line with the principles of the ongoing procurement reforms. MOPS’ Procurement and Disposal Unit (PDU) will be strengthened to undertake all procurement activities under Component 1 (PSRP).

The PDU will also provide procurement support to the TAC under Component 2 (PEF). It will review the MDAs’ procurement plans when the latter submit proposal for PEF support. In collaboration with the PPDA, MOPS will assess the procurement management capacity of MDAs to implement procurement in the context of PEF financing. MOPS will retain a third party procurement agent (TPPA) and/or a procurement consultant to provide the necessary procurement support. Under the PEF, MDAs will take responsibility for the procurement required to implement the successful proposals.

All requests for procurement reviews by the Bank will be submitted by MOPS under component 1 and by MDAs through MOPS for component 2. MOPS will recruit and supervise a procurement consultant for the purpose of the annual independent procurement audits (AIPA).

3. Monitoring and evaluation of outcomes/results

MOPS will have the overall responsibility for coordinating and managing the M&E framework for the PSRP. The M&E system will serve four purposes:

- (a) Promote accountability by drawing on information about efficiency and effectiveness to assess and communicate whether the PSRP is likely to or has realized its objectives.
- (b) Inform and support the MOPS' management during implementation.
- (c) Draw lessons of experience in terms of understanding factors that have facilitated or inhibited the achievement of PSRP's objectives.
- (d) Facilitate communication by providing information and feedback both internally and externally.

Monitoring will be undertaken at two levels. First, each MOPS department will monitor actual expenditure on various initiatives against budget, the timeliness of the implementation of planned activities, and the delivery of outputs. This will provide a basis for generating periodic reports for review by the PSMSWG and the ICSC.

At a higher level, the directorate responsible for monitoring the implementation of the PSRP will periodically monitor the PSRP's performance relative to the strategic objectives and key performance indicators specified in Annex 3. To facilitate the latter process, MOPS will need to collect baseline data for each indicator by mining existing data repositories, and deploying cost-effective data collection methods.

The results of the higher level monitoring will provide a basis for reporting progress against policy actions and predetermined outputs extracted from PSRP's strategy as specified in the *PEAP Results and Policy Matrix* for good governance. MOPS' management will prepare periodic reports and table the Annual Report to the ICSC and PSMSWG.

The database that MOPS will use for M&E purposes will be fully compliant with the guidelines and definitions prescribed by the National Integrated Monitoring and Evaluation Strategy (NIMES). The PSRP M&E system will be part of the NIMES. A number of activities is planned under the PSRP to build MOPS' and other MDAs' capacity in M&E. The forging of vital linkages among ROM, OOB and other management initiatives will be crucial.

4. Sustainability

There are ongoing programs and initiatives to enhance GOU's fiscal capacity and resource allocation. It can be anticipated that in the future the capacity developed under UPSPEP, as well as any necessary follow-on interventions, will receive due priority when resources are allocated from the GOU budget.

UPSPEP is supporting a comprehensive approach to public sector capacity development and performance enhancement. In this approach gaps and unevenness in capacity development are minimized and the prospects for higher quality and sustainable outcomes are maximized. It can be anticipated that capacity development under the project will be spread across the public service in a particularly integrative and reinforcing way.

The implementation of UPSPEP is mainstreamed in the structures of MOPS and other concerned MDAs. No enclave PIU will be established. Furthermore, capacity development will be embedded in the formal, long-term structures of the MDAs, thus enhancing the prospects of sustainability.

UPSPEP recognizes that unless public servants receive appropriate incentives and operate in a transparent/meritocratic framework, sustainable performance enhancement will be difficult to realize. In consideration of this, UPSPEP seeks to reinforce the implementation of the PSRP. Strategies linked to improving performance and changing culture in the public service need to be implemented. Under the PSRP, progress will be made towards the entrenchment of a results-oriented accountability culture for the management of public sector organizations.

An important factor in the sustainability of the project's outputs and outcomes will be improvements in the motivation and integrity of public servants, especially those in management and professional roles. In this regard, progress in enhancing public service pay is crucial. The PSRP gives due prominence to the pay reform agenda. Furthermore the ongoing PEAP/PRSC policy dialogue will continue to focus the attention of government on the need to accelerate the realization of the pay reform objectives. In particular, in this dialogue, there will be an emphasis on enabling government to attract, recruit, retain and motivate personnel with the professional, managerial and technical skills necessary in the public service.

5. Critical risks and possible controversial aspects

Risks	Risk Mitigation Measures	Risk Rating with Mitigation
To Project Development Objective		
Top political leadership commitment and support to the program is limited.	The process to revise the PEAP has reinstated the extent to which public service reforms are central and critical to achieving and sustaining the government's goals for economic growth and poverty reduction. The PEAP/PRSC policy dialogue will reinforce continually this perspective among political leaders. It is in this regard that the Bank and other DPs have insisted on formal endorsement of the PSRP strategy by the Cabinet.	H

<p>Public service leaders and managers resist results-orientation, accountability and integrity in resources management and service delivery.</p>	<p>A change management strategy is being prepared on a high priority basis to kick-start the implementation of UPSPEP. This strategy will focus on ways to overcome resistance to change and inspire public service leaders and managers to embrace and commit to a shared vision for the transformation of the public service. The implementation of this strategy will converge with the implementation of ROM and promotion of accountability and integrity as the central pillars of the PSRP strategy. This is a focus of the results framework and will receive particular attention during joint program reviews and PEAP/PRSC annual reviews.</p>	<p>H</p>
<p>To Component Results</p>		
<p>Limited technical capacity to implement UPSPEP in MOPS and beneficiary MDAs.</p>	<p>MOPS has completed an institutional review of its structure and functions with a view to having in place the optimal structure to carry out its mandate including assuming the leadership of the PSRP. Accordingly, capacity development measures will be put in place. In the meantime both the DP basket fund and the PPF have provided key capacity development inputs for project management, procurement and financial management. MDAs will have access to the PEF to improve their capacity to deliver on their strategic agendas. Support to develop M&E capacity will ensure there is a greater focus on results within the public service over time.</p>	<p>S</p>
<p>Risk of capture of the basket fund for the PSRP and PEF by narrow interests.</p>	<p>-Agreed participation of private sector and civil society representatives in the approval process for PEF, and of DPs in the pooled funding arrangement for PSRP. -Audits to ensure full compliance with the procedures and controls in the operations manuals for the PSRP and the PEF.</p>	<p>M</p>
<p>Low integrity and weak accountability by beneficiary MDAs in the use of the PEF.</p>	<p>-The PEF manual has controls and checks to ensure that there is adequate supervision and monitoring of the financed proposals. -Timely value-for-money audits will be conducted. -Robust M&E system and capacity will be put in place.</p>	<p>M</p>

PSRP interventions and proposals for use of the PEF are weak in results-orientation and potential impact on PEAP.	-PSRP semi-annual SWAp reviews will focus on alignment of work plans with strategic priorities linked to implementation of SDPs and PEAP priorities. -Membership of the TAC comprises top-level officers who will have a strategic perspective in guiding and evaluating proposals.	M
Below market pay and a poor working environment demotivate or do not attract personnel with the competencies required to implement the PSRP.	-PEAP/PRSC policy dialogue to intensify appreciation among leaders of the need to accelerate the implementation of pay and pension reforms.	S
The projects disbursement and funds flow arrangements are complex because PSRP will be dealing with multi donors while PEF will be dealing with multi-sectors.	The Bank's Country Finance Officer was involved in the appraisal mission to streamline the disbursement and funds flow arrangements of the project.	L

UPSPEP will contribute to strengthening good governance, in particular, by supporting the reform of the public service. In addition, UPSPEP will support, through the PEF component such crucial reforms as procurement and financial sector. Through the PEAP/PRSC dialogue on Pillar 4 (governance), implementation of all the crosscutting reforms is monitored, particularly government efforts to reform the public service.

The Bank is also taking steps to minimize the risks of corruption within UPSPEP. The financial and procurement management assessments of the key implementing agencies were conducted with a view to mitigating the risks against weak fiduciary capacity. The mitigating measures are presented in Annexes 7 and 8. UPSPEP will have in place detailed operations manuals that include procedures for financial management and procurement. These have been reviewed by the Bank's financial management and procurement specialists. Close supervision of the fiduciary elements and a clear focus on results, reviewed semi-annually, will provide a regular assessment of the implementation of the project. Budget for supervision has been increased in addition to having in place, in the country office, procurement and financial management expertise that will pay close attention to the implementation of UPSPEP including conducting random reviews of documentation.

6. Loan/credit conditions and covenants

Conditions of Effectiveness

- (a) Disclosure of the Abbreviated Resettlement Action Plan (RAP).
- (b) Submission of the PRSP Operations Manual and the PEF Operations Manual, all in form and substance, satisfactory to IDA.

Disbursement Conditions

- (a) For component 1 (PSRP), receipt of the MOU signed by the co-financiers and government.
- (b) Approval of annual work plans and budgets for component 1.

- (c) Receipt of the recommendation by the TAC of PEF grants of the thresholds that will be subject to prior review and the issuing of a no-objection by IDA.

Other Conditions

Submission to IDA of a time-bound action plan for the implementation of the recommendations of the MOPS institutional assessment on or before June 30, 2006.

Submission to IDA of a time-bound action plan for the recruitment and use of a procurement consultant.

Legal Covenants

Financial covenants are the standard ones as stated in the Financing Agreement Schedule 2, Section II (B) on Financial Management, Financial Reports and Audits and Section 4.09 of the General Conditions.

D. APPRAISAL SUMMARY

1. Economic and financial analyses

Not applicable

2. Technical

A major technical issue throughout the preparation and appraisal of UPSPEP has been the capacity of MOPS to provide effective leadership, coordination and management of the implementation of the project components. In response, a significant proportion of the PPF has been utilized to strengthen the project management capacity of the Ministry. This strengthening of MOPS is continuing under the interim pool funding of the PSRP by other DPs.

Furthermore, the management of MOPS has been supported to develop a plan of action for rapid enhancement of its capacity, with a focus on three, specific, short-term initiatives:

- (i) The implementation of the results of the June 2005 institutional assessment of the Ministry. According to the results of the assessment, the Ministry's new structure will be aligned to mainstream the implementation of the two UPSPEP components. Overlaps and ambiguities in leadership and coordination roles and responsibilities, which negatively affected implementation of the previous phase of the PSRP will be eliminated.
- (ii) Organization and mobilization of staff capacity to carry out PEF technical tasks, including guiding MDAs on preparation of quality applications, making the preliminary assessment of applications, and guiding the TAC in its deliberations. In this respect, MOPS will procure technical assistance to strengthen its capacity to implement the project, especially in the first year.
- (iii) The implementation of a change-management strategy with a view to enhancing the capacity of MOPS to embrace a learning culture, assume an outreach and

facilitation approach with other MDAs, adopt team working practices, and to effectively coordinate, monitor and evaluate programs and projects.

In the medium to long term, the technical issues surrounding this project will be addressed as an integral part of its implementation. Both components of the project, potentially, will support capacity development and performance enhancement in all public sector organizations. Strategies to address these issues have been elaborated, and technical and financial resources will be made available through the project. The ultimate challenge is thus the timely and effective implementation of the UPSPEP itself.

3. Fiduciary

Financial

The Country Financial Accountability Assessment (CFAA) carried out by IDA in 2004 shows that Government of Uganda has made substantial progress in improving its Public Financial Management Systems since the previous CFAA was undertaken in 2001. The fiduciary risks associated with poor budget formulation and budget preparation processes have lowered. In terms of appropriate legislation and regulatory frameworks, significant progress has been made to ensure that there is less risk associated with a lack of clear rules and regulations. In addition, more, useful information is now provided in the annual accounts. However risks remain related to enforcement of procurement and payroll rules and procedures; completeness of data on debt; effective independent oversight, and the timeliness and effectiveness of legislative and public scrutiny. The impact of the CFAA is that Government of Uganda has come up with a strategy to mitigate these country level issues, by designing a Financial Management and Accountability Project (FINMAP) whose objective will be to address the CFAA action plan issues formulated within the Country Integrated Fiduciary Assessment (CIFA) action plan matrix and improve on Uganda's Public Financial Management - Performance Measurement Framework indicators developed by the PEFA Secretariat. The FINMAP is to be supported by a number of development partners including the World Bank that form the Public Financial Management Donor Group.

The project's transactions will be managed within the existing set-up in the MOPS where there are qualified and experienced staff in the accounting and internal audit departments. The accounting unit of MOPS is computerized, with Ledger Works Accounting software, but this will be replaced by more robust accounting software called the IFMS that is expected to be installed in FY06. A Financial Management Manual (FMM) describing the accounting policies and procedures is in place and documented in the GOU's Treasury Accounting Instructions 2003 in accordance with the Public Finance and Accountability Act 2003. Where the Treasury Accounting Instructions 2003 fall short, especially in relation to reporting requirements, they will be complemented by UPSPEP's Operations Manuals for the PEF and PSRP. The project's financial statements will be audited in accordance with statutory requirements, and suitable terms of reference will be developed.

Actions outlined in the financial management action plan will be undertaken by MOPS to strengthen the financial management system. MOPS and IDA have agreed at negotiations on the interim financial report (IFR) formats. The other condition that will strengthen the financial management system, and that can be done after the project's effectiveness, is agreeing on the terms of reference for the external auditor to ensure the project accounts are audited and submitted on time to the Bank.

In order for the project to be effectively implemented, MOPS will establish and ensure that appropriate staffing arrangements are maintained throughout the life of the project.

The conclusion of the assessment is that the financial management arrangements have an overall risk rating of moderate which satisfies the Bank's minimum requirements under OP/BP10.02 and are adequate to provide, with reasonable assurance, accurate and timely information on the status of the project as required by IDA. With the implementation of the action plan, the financial management arrangements will be strengthened.

Procurement

The 2004 Country Procurement Assessment Report (CPAR) indicates that the *Public Procurement and Disposal of Public Assets Act, 2003*, (the Procurement Act) in Uganda is a good law but there are some provisions of the Act that may be subject to abuse and are therefore, highlighted in this document. The provisions in question are: (i) negotiations with the best evaluated bidder allowed. However, except for consulting services contracts, and for contracts procured through direct contracting, the practice is not appropriate; (ii) the use of the merit point system of evaluation is not restricted to evaluation of consultants proposals. This system is inappropriate in the evaluation of bids for goods and works contracts; (iii) each Procuring and Disposal Entity (PDE) is allowed to pre-qualify suppliers on an annual basis and bidding opportunities are not open to all pre-qualified providers but to only a few firms (at least three) at a time on rotation basis. Such a system does not ensure fairness and is open to abuse by both the pre-qualified firms and the PDEs; and (iv) the micro-procurement method is permitted for all contracts of estimated value up to \$1,100 US equivalent. The basic definition of micro-procurement is Direct contracting or Single Source Selection which should be used in exceptional circumstances. However, periodic budget releases are small and micro-procurement is widely used and is therefore open to abuse.

The procurement activities under the proposed operation will be carried out by the Ministry of Public Service (MOPS) for component 1 (PSRP) and under component 2 (PEF) would be carried out by the Ministry, Department or Agency (MDA) accessing the PEF. Although the MoPS procurement structures comply with the Procurement Act, the Procurement Management Capacity Assessment (PMCA) that had been carried out on MoPS revealed some weaknesses. The areas requiring strengthening included; (i) lack of procurement planning, (ii) the limited experience in managing large value consulting and complex contracts, (iii) inadequate Procurement Data Management System (PDMS), (iv) poor quality of evaluation and quotation analysis reports, (v) inadequate experience with the use of Standard Bidding Documents; and (vi) weak contract management. Therefore, the overall risk associated with the ability of MOPS to manage procurement under the project was rated high.

Among the corrective measures that are proposed to address the high risk rating include the following: (i) hiring of a procurement consultant with qualifications and experience as well as on Terms of Reference acceptable to IDA; (ii) MOPS staff, especially those who will be involved and/or participate in procurement to undergo appropriate procurement training; (iii) establishment of a satisfactory PDMS; and (iv) engagement of Third Party Procurement Agent and/or a Procurement Consultant to assist in carrying out specialized procurement activities and to provide procurement support to MDAs that apply for PEF as may be necessary. MoPS will liaise with the Ministry of Finance, Planning and Economic Development (MOFPED) in the procurement activities for the IPPS and with the Ministry of Works, Housing and Communications (MOWH&C) in the procurement activities for the

construction of the Records and Archives Centre (RAC). It will also collaborate with the Public Procurement and Disposal of Public Assets Authority (PPDA) in the assessment of MDA procurement management capacities as well as in conducting the Annual Independent Procurement Audits (AIPA) under the project. The submission of Operational Manuals for both the PSRP and PEF containing satisfactory procurement arrangements including the actors, roles and responsibilities, templates and standard bidding documents, and the procurement plan approved by IDA will be a condition of effectiveness.

4. Social

The development of the PSRP strategy for component 1 of the UPSPEP (the PSRP) has been informed by studies and analysis of major social issues from a public service perspective. The issues covered in the studies included: the impact of HIV/AIDS on the public service, gender and diversity challenges. These studies involved broad consultations with representatives of various stakeholders, including groups of Government employees and beneficiaries of public services. The strategy was also informed by the poverty and social issues analysis carried out for the PEAP, including geographical disparities in public service delivery and the pace of poverty reduction.

Further, under the PSRP Enabling and Empowering Work Environment component, the PSRP strategy anticipates that the MDAs will use the second component of UPSPEP (the PEF) to support demand-driven initiatives to address such social issues as gender, diversity and HIV/AIDS. To this end, MOPS has initiated the development of a comprehensive IEC program that targets all social groups inside and outside the public sector. This program will be given a high priority for implementation under the first component of the UPSPEP, the PSRP.

Monitoring of main social impacts

N/A

5. Environment

The project will not have any interventions directly related to environmental issues, apart from those that address safeguards below. UPSPEP, under the PSRP, will finance civil works costs for the construction of a completely new building to house the proposed Records and Archives centre. The Environmentally & Socially Sustainable Development Sector Unit (ASPEN) of the Africa Region has reviewed the project's safeguards status and categorized it as B – partial assessment.

To this end a site-specific environmental impact assessment has been prepared, reviewed and approved by the government and the Bank. This has been disclosed in the country and at the World Bank Public Information Center. In addition an abbreviated resettlement action plan has been developed and will be reviewed and approved by the government and the Bank. See Annex 10 for details.

6. Safeguard policies

Safeguard Policies Triggered by the Project	Yes	No
<u>Environmental Assessment (OP/BP/GP 4.01)</u>	[x]	[]
Natural Habitats (OP/BP 4.04)	[]	[x]
Pest Management (OP 4.09)	[]	[x]
Cultural Property (OPN 11.03, being revised as OP 4.11)	[]	[x]
Involuntary Resettlement (OP/BP 4.12)	[x]	[]
Indigenous Peoples (OD 4.20, being revised as OP 4.10)	[]	[x]
Forests (OP/BP 4.36)	[]	[x]
Safety of Dams (OP/BP 4.37)	[]	[x]
Projects in Disputed Areas (OP/BP/GP 7.60)*	[]	[x]
Projects on International Waterways (OP/BP/GP 7.50)	[]	[x]

Environmental Screening Category: B (Partial Assessment)

The Project has been given an environmental category rating of B – partial assessment. The rating was issued because the proposed operation will fund the construction of a Records and Archives Centre which may result in some involuntary resettlement. This triggered some safeguard policies. In accordance with the guidelines, a site-specific environmental impact assessment (EIA) and an abbreviated resettlement and compensation action plan (RAP) were prepared by GOU. These reports have now been completed, will be made publicly available in the country and will also be disclosed at the World Bank’s Public Information Center before appraisal.

a) Environmental Assessment (OP/BP/GP 4.01)

The construction of the Records and Archives (RA) centre will cause minor environmental disruptions and have negative effects on health due to air pollution and noise and blockage of access during construction. The site specific EIA provides an analysis of all these issues and proposes mitigation measures to address them. These will be incorporated in the bidding documents during the recruitment of the construction firm and supervising consultant for the RA centre. The mitigation measures will be implemented by the consultants during construction, under the supervision of the National Environmental Management Authority (NEMA), the Kampala City regulatory authorities for the GOU and the Africa region ASPEN unit for the World Bank.

b) Involuntary Resettlement (OP/BP 4.12)

GOU has identified the site for the RA centre and there are potential social impacts that may arise. These include the possible loss of livelihoods due to the eviction of individuals who did not heed the MOPS’ earlier notice to vacate the site since the houses were due for demolition. An abbreviated resettlement and compensation action plan (RAP) has been developed and costed by MOPS and presented to the World Bank and Government for review, approval and disclosure prior to project effectiveness. This will guide the respective authorities during the relocation process.

* By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas

7. Policy Exceptions and Readiness

There are no policy exceptions. The project is ready for implementation.

Annex 1: Country and Sector or Program Background

UGANDA: Uganda Public Service Performance Enhancement Project (UPSPEP)

1. Background: Major country and sector issues

Uganda has achieved remarkable economic progress during the last decade and a half. Gross domestic product (GDP) grew at an average rate of 6.9 percent during the 1990s compared to an average of 2.2 percent for Sub-Saharan Africa countries. Average GDP growth for the past five years is estimated at a still comparatively high 5.5 percent. The macroeconomic fundamentals that have facilitated this economic performance, including fiscal discipline, and effective monetary policies remain in place. Furthermore, the economic growth of the past decade has had a significant positive effect on poverty reduction; the proportion of the population living below the poverty line declined from about 56 percent in 1992 to 38 percent in 2003; net primary education enrollment ratio rose to over 86 percent by last year for both boys and girls; under-5 child mortality rate is down to about 155 (per 1,000 live births) in 2005 from about 177 in 1990; access to safe water (as a percentage of the population) has improved from about 45 percent to about 55 percent in rural areas and to 65 percent in urban areas; and HIV prevalence (as a percentage of the adult population) has dropped from about 20 percent to 6.2 percent.

However, much remains to be accomplished to bring Uganda's development outcomes to acceptable levels, including achieving the MDGs. In this regard, for example, the prevalence of child malnutrition did not decline appreciably in the past one and a half decades; both child and maternal rates remain high despite the heavy investments in health over the past decade; primary education quality is still low, and the completion rate was also a low, 56 percent in 2005. Furthermore, the reduced level of growth in the first half of this decade, accompanied by a rising female fertility level, threatens the past gains in poverty reduction. The Government is also concerned that the past economic growth was accompanied by environmental degradation. Therefore, Uganda remains with the major challenges of: (i) forestalling the reversal of the gains made in poverty reduction over the past decade; (ii) accelerating economic growth to levels that at least match the performance of the 1990s; and (iii) improving the quality of public service delivery, and enhancing their access for the poor.

Uganda has been making steady progress towards achievement of MDGs, especially in the human development and poverty reduction areas. Major sector programs for human capital development, including rapid expansion and enhanced quality in basic social services (education, health, water and sanitation) are well in place, and should contribute significantly to improved production and poverty reduction among the poor. Implementation of a bold Program for the Modernization of Agriculture (PMA), and a long-term competitiveness strategy are targeted at restoring and sustaining rapid and broad-based economic growth, which should also contribute to poverty reduction.

According to the WBI governance indicators, government effectiveness has steadily declined since 1998. Between 2000 and 2004, out of six of WBI indicators, Uganda improved its standing in (i) voice and accountability, and (ii) control of corruption with no change in (i) political stability and (ii) regulatory quality. Deterioration was noted in (i) government effectiveness and (ii) the rule of law. Furthermore, it is difficult to foresee whether the transition to multiparty politics will transform Uganda into a truly competitive democracy. The transformation of the public service that UPSPEP will support is central to consolidating and enhancing Uganda's past governance achievements.

Insecurity arising primarily from localized armed conflicts and insurgencies has impeded economic recovery and public service delivery in the northern and western parts of the country, where poverty levels remain very high. There are initiatives to end the conflicts and restore security in these areas, but only time will tell how successful these will be. Relative peace, law and order prevail in most of the country, and an on-going justice, law and order sector (JLOS) reform program has been improving the access to and quality of justice.

Another major concern to the political leadership is the persistent, heavy reliance on external resources for development. The Government enjoyed a major expansion of resources during the late 1990s and early 2000s as a result of increased DPs inflows. This expansion was not accompanied by an increase in domestic revenues, and hence increased the deficit. In order to control the deficit, Government contributions will increase more slowly over the PEAP period, unless the expansion is funded by improved domestic revenues. In the latter context, the Government has acted boldly to overhaul the management of the Uganda Revenue Authority with a view to enhancing integrity, effectiveness and efficiency in domestic revenue collection. Still, it will take many years before domestic revenue can significantly replace external resources in the development budget. Therefore, PEAP places a strong emphasis on improving the efficiency with which resources are used. In this regard the Government will endeavor in the next five years to: (i) reduce corruption and increase accountability in the use of resources; (ii) improve the allocation of public resources by giving a high priority to the actions identified in the PEAP; and (iii) reduce the proliferation of uncoordinated initiatives.

GOU's strategy for addressing the governance issues as well as sustaining economic growth and poverty reduction is set out under five pillars in its PEAP. These are: (1) economic management, (2) production, competitiveness and incomes (3) security, conflict resolution and disaster management (4) governance, and (5) human development. The PEAP articulates key challenges and commits the Government to consolidating the gains of the past decade in fiscal and macroeconomic stability and to improving efficiency in the use of resources. In this regard, the Government will endeavor in the next five years, among other policy measures, to: (i) curb corruption and increase accountability in the use of resources; (ii) improve the allocation of public resources by giving a high priority to the actions identified in the PEAP; and (iii) reduce the proliferation of uncoordinated initiatives.

The GOU has continued to register significant improvements in public financial management (PFM). Results include improved legislation, more coherent fiscal strategy framework, the introduction of an enhanced integrated financial management system (IFMS), improved cash, commitment control and accountability mechanisms and extensive upgrading of budget, accounting and auditing skills. In terms of procurement reforms, at the central government level, all the ingredients for making the procurement system more efficient, economic, transparent and accountable are now in place. The UPSPEP will support to the new Public Procurement and Disposal Authority (PPDA) to implement its recently legislated mandate to develop a competent cadre of procurement professionals in the public service.

The PEAP identifies weak public sector management as one of the key constraints to economic development and poverty reduction. It particularly highlights major challenges to human resource management in the public sector, including: the disparity in pay between public and private sectors and between the public sector and autonomous agencies; the excessive use of consultancies in some sectors; inadequate supervision; staff absenteeism; weak management of the payroll and of training; and arrears in pension and terminal

gratuities. Many key public sector institutions, including MDAs of the central government have inadequate capacity shortcomings that include: weak management systems and processes, shortages of competent technical, professional and managerial personnel, as well as corruption and unethical conduct by staff both at the centre of Government and on the frontlines of service delivery. These gaps have to be addressed effectively to ensure the sustainability of the PEAP development outcomes, especially those envisaged under the various SDPs and projects. Furthermore, the ongoing 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 highlight and exacerbate the capacity constraints of the public sector.

In the PEAP, the Government has laid down a comprehensive strategy to address the issues and challenges in public sector management. The three major pillars of the strategy are: (i) FINMAP, which the Bank has supported through the Economic and Financial Management Project (EFMP I, Credit No. 24180-UG and EFMP II Credit No. 32970-UG); (ii) a decentralization and local government development program supported through two successive Local Government Development Programs (LGDP I, Credit No. 3295-UG and LGDP II, Credit No. 37730-UG); and (iii) a Public Service Reform Program (PSRP), which the Bank supported until 2002 through the Institutional Capacity Building Project (ICBP, Credit No. 2736-UG). In recent years, the first two reform programs, but not the PSRP, have performed satisfactorily.

Two phases of the PSRP have been completed over the past fifteen years. During the first phase, the role of Government was redefined and its size was substantially reduced in terms of scope of functions and employment numbers. In addition, the devolution of functions to local governments commenced and improvements to the incentive framework, especially pay, were successfully initiated. The second phase, in the late 1990s, introduced a Results-Oriented Management (ROM) approach. Under ROM, which remains the core component of the PSRP, MDAs are required to plan, implement, monitor and evaluate performance on quarterly and annual bases. However, the low capacity and a weak incentive system in MDAs, especially low pay and shortfalls in disbursements against budgets, have severely constrained progress in institutionalizing the results-based approach within public service management. Under these circumstances, during the past five years the overall PSRP implementation slowed considerably and, in some important ways, completely stalled.

The absence of demonstrable results, coupled with the lack of a strategic focus over the past several years have undermined commitment and support for the PSRP by both political and technical leaders across Government. Consequently, both Government and development partners (DPs) have been reluctant to provide essential support to the PSRP. Notwithstanding this, GOU recognizes that the reform is crucial to the sustainable transformation of the public service and efficient management of its development and poverty reduction programs. In that context, the PEAP specifies several high-priority areas to be addressed under the PSRP. These are:

- (a) Strengthening performance management by enhancing the linkages between ROM and the budget process, rolling out the open performance appraisal system across Government and inculcating a performance management culture in the public service.
- (b) Enhancing capacity through demand-driven training, affording opportunities for on-the-job training and providing access to enhanced management systems.

- (c) Better public sector remuneration. In this regard the GOU is committed to achieving the targets contained in the pay reform strategy, safeguarding the purchasing power of public officers' salaries and meeting its pension obligations.
- (d) Making Government affordable by improving efficiency and cost control. In particular, GOU intends to integrate "projects into sectoral strategies and the MTEF, and review the functioning of autonomous agencies"¹.

In line with the above, through a broadly participatory process led by the MOPS in 2005, the GOU completed the development of the revamped PSRP strategy, which is supported by a costed, action plan for the medium term (2005-2010). Furthermore, the Government has solicited the support of the World Bank and other DPs for the new phase of the PSRP. In parallel, the Government has indicated the need to address capacity and performance issues in the public sector that may not be specific to the PSRP, especially those captured in the PEAP/PRSC benchmarks. The Government's objective is to ensure that the public sector has the capacity to support the realization of the PEAP goals through improved performance of all the key sector institutions.

The Government is keen to ensure that its future performance enhancement initiatives are more effective than in the past. There have been many interventions in Uganda's public sector over the years; virtually every donor-sponsored project or program has included capacity-development and performance-improvement elements. But most of these interventions have been predominantly supply-driven and fragmented. Capacity has been cloistered in enclaves, i.e., PIUs, whose staff operate in parallel with the mainstream public service. The sub-optimality, duplication of effort and ineffectiveness of these efforts are evident in Uganda, as elsewhere in the developing world.

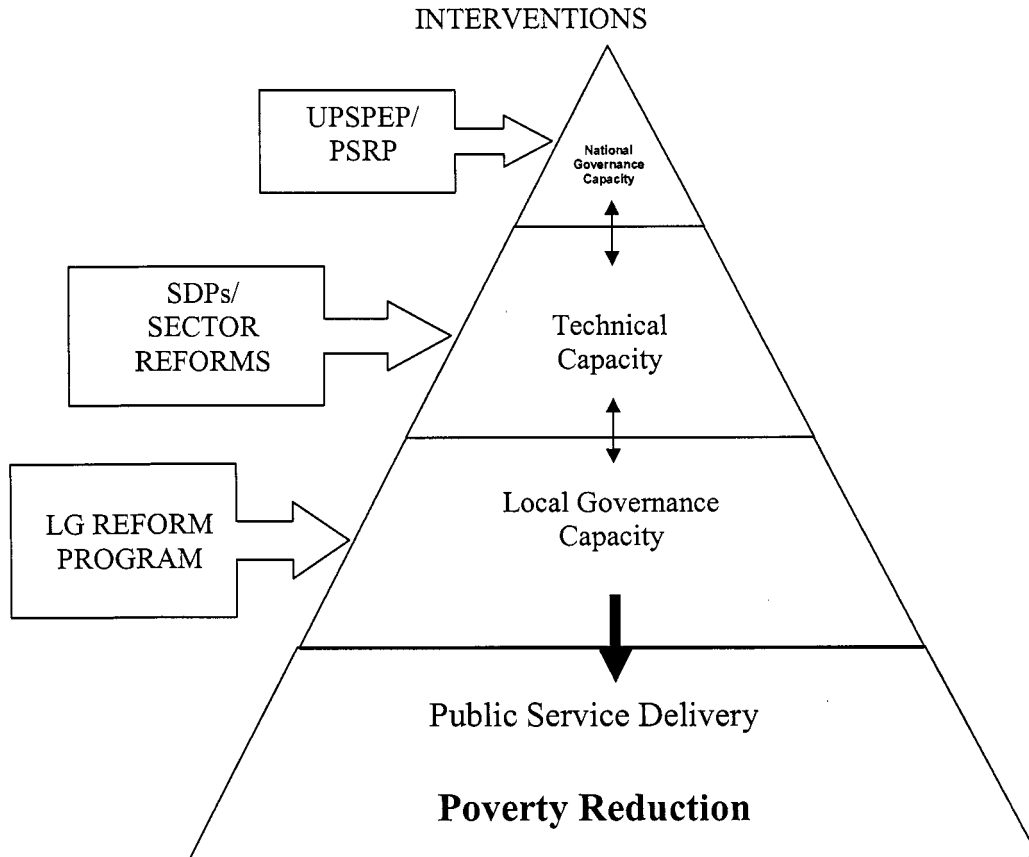
2. Government strategy

The government's strategy reflects the lessons learned in Uganda and elsewhere about the limitations of the past initiatives and traditional approaches to capacity building. The key features of the Government's strategy are outlined below:

Adoption of a comprehensive approach. The Government has decided to adopt a comprehensive approach to capacity development and performance enhancement. A total systems approach to capacity development and performance enhancement recognizes the necessity for changes and interventions across and within sectors, institutions, organizations and individuals. It also embodies the crucial functions of coordination, accountability, monitoring and evaluation, and feedback, and highlights the inter-relations among all these sub-systems. *Figure 2* over the page illustrates the hierarchies of capacity and performance enhancement interventions that ensure a holistic approach, while minimizing the risk of duplication of effort. The Bank's support to Uganda in capacity and performance enhancement reflects this strategic framework.

¹ Poverty Eradication Action Plan (2004/5-2007/8), Ministry of Finance, Planning and Economic Development

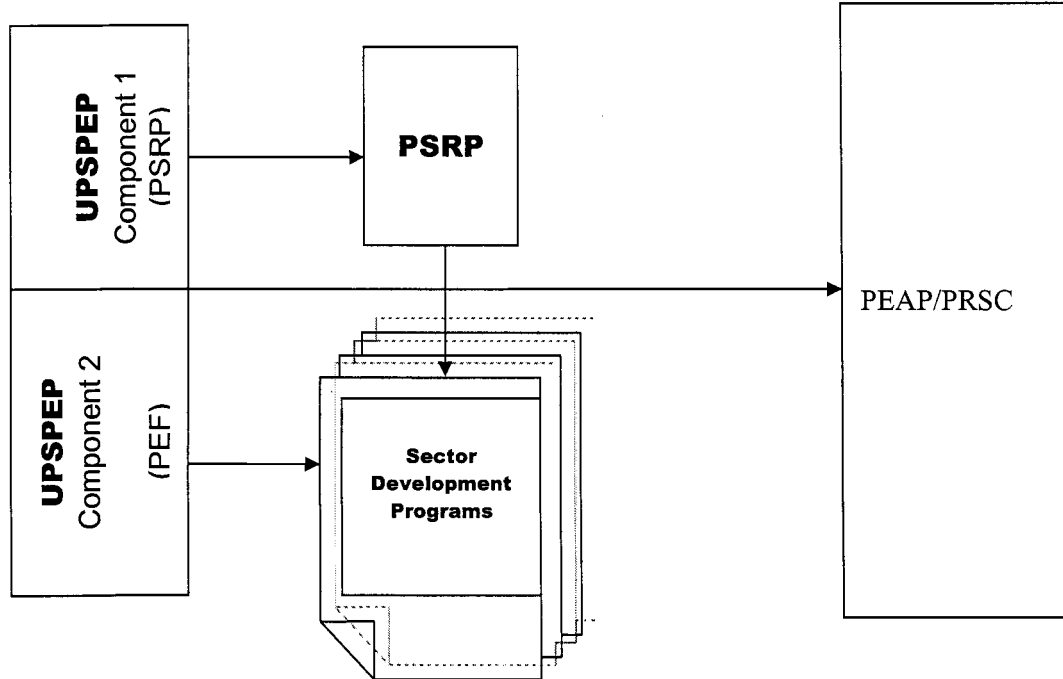
Figure 2 - Hierarchy of Performance Enhancement Interventions



A shift from technical assistance projects towards SWAs and budgetary support. In recent years, in the context of the PEAP/PRSP and MTEF, the GOU has progressively moved its development framework towards a more programmatic and sectoral approach and discouraged the project-based approach that hitherto has been the common mode for capacity development interventions. DPs have responded well by supporting SWAs, the Poverty Action Fund (PAF) and by shifting to budgetary support. The Bank has actively supported these developments, culminating in five PRSCs.

Reinforced linkages and the complementarity of on-going public sector reform initiatives. The Government's strategy also seeks to foster and reinforce linkages and complementarity between the ongoing public sector reform initiatives, primarily the PSRP, the SDPs and other reforms embedded in the PEAP/PRSCs. Furthermore, UPSPEP should strengthen the implementation of this reform agenda with the linkages depicted in *Figure 3* below.

Figure 3- UPSPEP and the PEAP



ROM reinforce linkages between SDPs and capacity development initiatives. The implementation of ROM in public service organizations will reinforce linkages between SDPs and capacity initiatives for strengthening governance at the central government level. Under ROM, strategic plans typically will be prepared through SWAs. ROM processes and outputs will provide appropriate modalities and criteria that will guide decisions for UPSPEP support to most MDAs.

ROM and OOB. Effective implementation of ROM, the central pillar of the PSRP, is also expected to facilitate the systematic introduction of OOB. OOB is a MOFPED initiative intended to orient the implementation of the MTEF towards improving the efficiency of public expenditures. By establishing and institutionalizing the process of identifying results-based outputs and indicators, ROM creates the organizational environment for readily introducing OOB into the MDAs. On the other hand, in the absence of OOB, ROM has remained, so far, a comparatively ineffective change instrument. The importance of integrating ROM and OOB is widely acknowledged and has been a prominent issue in the PRSC policy dialogue over the past few years. UPSPEP will leverage this ROM-OOB linkage by making it a condition for support to the MDAs' capacity-development plans.

Public service pay reform. Capacity development efforts have also been undermined by poor pay for public servants at all levels. The Government promulgated a medium-term public service pay reform strategy in 2001. However, implementation has been both uneven and slow. Some improvements have been achieved, but the vast majority of public servants have enjoyed limited pay enhancement in the last five years. Yet, if the public service is to retain technical, professional and managerial staff, pay is a key issue that must be addressed. In the PEAP, the Government has undertaken to address this situation and hasten pay enhancement for technical, professional and managerial cadres to target levels for the medium term. Pay

reform is therefore an important component of the new phase of the PSRP. The increase in the wage bill required to accommodate pay reform will be financed by government through allocations in the MTEF.

Annex 2: Major Related Projects Financed by the Bank and/or other Agencies

UGANDA: Uganda Public Service Performance Enhancement Project (UPSPEP)

In 1995, GOU commenced piloting a more comprehensive approach to capacity development with the support of a Bank-funded ICBP that closed in 2002. One of the ICBP's key objectives was to establish greater local capacity (institutional, organizational and individual) to develop and implement policy and support private sector growth. This was to be achieved by supporting the public service reform, decentralization, and by strengthening the legal and financial accountability framework and organizations.

The PEF component reflects lessons learned from the Training Fund Component of ICBP. It tested the demand-driven approach to training, the use of non-conventional training methods as well as a strategy to support local training organizations. The main findings of an impact assessment of this component were that these approaches, in addition to having an impact at the individual level (positive attitude to work, improved relationships among staff, effective use of new skills and improved interpersonal relations leading to better and more committed staff, also had beneficial results at the organizational level. The project was rated *satisfactory*.

Ongoing World Bank Projects:

Sector Issue	Project	Implementation Progress Rating	Development Objective Rating
Develop a more demand-driven approach to local government capacity building.	Local Government Development Project II (Cr. 37730- UG)	S	S
Build capacity to support economic and financial management.	Second Economic and Financial Management Project (Cr. 32970-UG)	S	S
Develop the capacity of local training institutions.	Decentralized Service Delivery: A Makerere University Training Pilot Project (Cr. 36240 - UG)	S	S

Completed World Bank Projects:

Sector Issue	Project Completed	OED Rating
Put in place greater indigenous institutional and human capacity to develop and implement public policy.	Institutional Capacity Building Project (Cr. 2736-UG)	S
Develop skills of local governments to manage decentralized service delivery.	Local Government Development Project I (Cr. 3295-UG)	S
Enhance the capacity for	Economic Financial	S

Sector Issue	Project Completed	OED Rating
economic and financial management.	Management Project (I) Cr. 2418-UG)	

Sector Issue	Project
Improve the capacity for governance, accountability and public financial management and efficiency in social sectors.	Institutional Support Project for Good Governance (AfDB)
Restructure LGs, start up activities and implementation of ROM.	Support to Public Service Reform – 1997-2002 (Royal Netherlands Embassy)
Build capacity for governance and poverty eradication.	Good Governance for Poverty Eradication (UNDP)
Public service reform, pay reform and integrated personnel and payroll management	Support to PSR program 1997-2006 (UK-DFID)
Support the development of the PSRP strategy 2005-2010.	Bridging gap support to PSRP (UK-DFID, Austria, Denmark and Irish Aid)

Annex 3: Results Framework and Monitoring

UGANDA: Uganda Public Service Performance Enhancement Project (UPSPEP)

Results Framework

PDO	Outcome Indicators	Use of Outcome Information
To support: (i) the transformation of the public service so that it is affordable, efficient and accountable in the use of public resources; and (ii) improvement in the policy, institutional and regulatory environment for sustainable growth and service delivery.	<p>Improved public sector performance.</p> <ul style="list-style-type: none"> Percentage satisfaction with public service delivery. Percentage of MDAs and LGs that report full achievement of their annual performance (ROM) targets as verified through inspectorates. 	<p>Non-achievement reflects the extent to which these organizations have capacity and/or performance gaps, which will reflect in low quality policies and services.</p> <p>Indication of the level of improved performance as a result of better work environment, pay and effective performance management processes.</p>
Intermediate Results One per Component	Results Indicators for Each Component	Use of Results Monitoring
Component One - Public Service Reform Program		
<p>Sub Component 1 - Performance and Accountability</p> <p>Enhanced performance and accountability by public service organizations.</p>	% of service standards in client charters which are met.	High percentage will reflect commitment by MDAs and LGs to improved standards of service delivery and continuous dialogue between MDAs/LGs and clients for accountability purposes.
	% of MDAs and LGs where ROM is implemented as an integrated performance management system.	Higher percentage depicts increasing commitment of MDAs to sustained service delivery improvement.
<p>Sub Component 2 – Human Resources Capacity</p> <p>Adequate number of skilled and able personnel are attracted and retained in public service organizations and overall better utilization of human resources.</p>	% positions for internal promotion filled through open competition.	Reduced percentage of positions will depict increasing satisfaction amongst staff and development of capacity to deliver service.
	% of total establishment and wage bill captured in IPPS database.	Met targets signal commitment to installation and use of the IPPS as one of key measures to manage integrity of the payroll, HR information and wage bill.

Sub Component 3 – Efficiency and Restructuring	% of cost savings from payroll inspections and internal audits.	A more transparent payroll system.
Efficient and affordable organization of the public service.	Estimated savings from efficiency and effective reviews for social sectors.	Commitment to realizing fiscal savings and efficient utilization of resources based on cost efficiency studies.
Sub Component 4 –Work Environment	% of public service satisfied with its work environment.	A measure of effectiveness of policies and tools in supporting effective delivery of services.
A more enabling and empowering environment	% of women in the public service mid- to senior-level positions.	More empowering environment for women, effective policy and environment for gender mainstreaming.
	% of semi-active records transferred to the records and archive centre.	Effective use of the records and archives centre in improving the work environment.
Sub Component 5 – Pay and pensions reform.	Comprehensive public service pay reform policy adopted.	Commitment to improving incentives for better service delivery.
Motivated and adequately remunerated personnel in public service organizations.	Percentage real increase in pay each year at minimum level complemented with faster acceleration at technical, managerial and professional level.	Progress towards living wage and retention of skilled and professional cadres.
	Reduced pension arrears. Reduced accumulation of pension arrears.	Confirmation that the revamped pension system is working properly.
Sub Component 6 – Leadership and Management Development	% of PEAP targets achieved.	Pro-activeness, commitment and ability of leaders to articulate and implement policy priorities in the PEAP.
Effective leadership and management of public service organizations.		
Component Two: Performance Enhancement Facility		
Closing capacity gaps for the implementation of PEAP priorities and SDPs.	Number of PEAP/PRSC benchmark activities benefiting from the PEF.	Removal of capacity gaps in implementation of PEAP and PRSC policy actions.

Arrangements for results monitoring

Outcome Indicators	Baseline 2005/06	Target Values					Data Collection and Reporting		
		YR1 2006/07	YR2 2007/08	YR3 2008/09	YR4 2009/10	YR5 2010/11	Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection
Component One – Sub-Component 1									
Performance and Accountability									
Percentage of client service charters established	No client service charters	15%	25%	45%	70%	100%	Quarterly	Quarterly reports on ROM	PS, MOPS
Percentage of service standards met.	No service standards	15%	15%	25%	35percent	50%	NSDS - Biannual	Survey Reports e.g., citizens' report card, quarterly reports	PS, MOPS with support from UBOS
Percentage of MDAs and LGs where ROM is implemented as an integrated performance management system	30% 2004 ²	45%	55%	65%	85%	100%	Quarterly PSID reports	Quarterly reports on ROM	C/PSID MOPS
Component 1: Sub-Component 2									
Human Resources Capacity									
% of public service positions for internal promotion filled through open competition	75% 2004 ³	65%	60%	55%	45%	35%	Annual	Reports, tracking studies, staff list	C/HRM, PS MOPS
Percentage of total establishment and wage bill captured in IPPS database	IPPS not installed	IPPS being installed	10%	25%	46%	70%	Annual	Reports, payroll-monitoring reports	Human Resources Management Director, MOPS
Component 1: Sub-Component 3									
Efficiency and Restructuring									
Percentage of cost savings from payroll inspections and audits.	70percent	74%	78%	84%	90%	95%	Periodic	Reports	Director PSID MOPS
Estimated savings from efficiency reviews in the social sectors ⁴	16% 2005/06 ⁵	20%	22%	25%	28%	30%	Annual, budget reports efficiency reviews	Reports	Director HRM, MOPS
Component 1: Sub-Component 4									
Work Environment									
Percentage of public service officers who are satisfied	Baseline to be established	Assessment underway	15%	30%	45%	60%	Half yearly reports	Staff & client surveys	Director HRM, MOPS

² ROM Implementation and Evaluation report, 2004

³ Public Service Commission Annual Report 2004

⁴ Health, education, water and sanitation, agriculture, community development

⁵ Projections from - Study of Cost Efficiency and Effectiveness in Human Resources Deployment in the Social Sectors

Pricewaterhouse Coopers – Dec. 2003 -

Outcome Indicators	Baseline 2005/06	Target Values					Data Collection and Reporting		
		YR1 2006/07	YR2 2007/08	YR3 2008/09	YR4 2009/10	YR5 2010/11	Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection
with their work environment									
Percentage of women in the public service mid to senior level positions	12%	14%	18%	24%	32%	35%	Annual reports/staff lists.	Review of staff lists.	Director HRM, MOPS
Percentage of semi-active records transferred to the Records and Archives Centre	No RAC in place	Construction of RAC	Construction of RAC	RAC completed	40percent	60percent	Annual summaries.	Monitoring of portal, daily recording.	CRITD
Component 1- Sub- Component 5									
Pay and Pension Reform									
Percentage of real increase in pay each year at minimum level complemented with faster acceleration at technical, managerial and professional levels.	13.33%	12.69%	10.45%	6.84%	6.65%	6.39%	Annual Report	Survey report	Director HRM, MOPS
Percentage of reduction in pension arrears.	8.3%	9%	11%	14%	20%	40%	Quarterly monitoring of arrears payment. Reports of pension sector reform task force	Reports	Director HRM, MOPS Director Economic Monitoring MOFPED
Reduced accumulation of pension arrears	No baseline ⁶	UGSh 10 billion ⁷	UGSh 8 billion	UGSh 5 billion	UGSh 3 billion	0	As above	As above	As above
Component 1 Sub-Component 6									
Leadership and management Development									
Percentage of PEAP targets achieved.	0 ⁸	25%	35%	50%	65%	85%	Half-year review, biannual NSDS, annual PEAP review	Survey, review, PEAP annual review	PS, MOPS, OPM
Component 2 - PEF									
Number of PEAP/PRSC benchmark activities benefiting from the PEF.	0 ⁹	3	5	10	15	25	Quarterly reports from lead organizations	Report. supervision aide-memoires	Accounting officers of respective MDAs

⁶ Review of legislation and overall pension sector reform underway

⁷ Current rate of accumulation

⁸ First annual PEAP review due in December 2006

⁹ PEF activities to start when UPSPEP becomes effective

Annex 4: Detailed Project Description

UGANDA: Uganda Public Service Performance Enhancement Project (UPSPEP)

UPSPEP has two components. The first component supports the implementation of the PSRP through a SWAp with a pooled fund mechanism. The second component establishes the PEF to support demand-driven capacity development and performance enhancement initiatives by public sector organizations. The two components are described in this Annex.

Annex 4A -PUBLIC SERVICE REFORM COMPONENT (US\$35 million)

Government, through a participatory process led by the MOPS, has developed a strategy and implementation document for new phase of the PSRP. This Annex extracts the main features of the PSRP strategy document.

The revamped PSRP comprises the following core components that are sub-components of the UPSPEP:

- Performance and Accountability
- Human Resources Capacity
- Efficiency and Restructuring
- Work Environment
- Pay and Pensions Reforms
- Leadership and Management Development.

Sub-Component 1 – Performance and Accountability (US\$1.6 million)

Strategic Objective. Enhanced performance and accountability of public service organizations.

Overview. The achievement of significant and sustained enhancements in performance and accountability by the public service is the primary strategic objective of the PSRP. In pursuing this objective the issues of service delivery and the nature of the relationships between the public service and citizens will be addressed. The ultimate impact will be a cultural change as encapsulated in the PSRP vision of “ROM” of the public service.

In the previous phase of the PSRP, there was an initiative to introduce ROM, but the implementation process was not effective. The fundamental problem underlying the ineffectiveness of the previous initiative was its purely technocratic orientation. In other words, the effective introduction of ROM required political and cultural/behavioral changes, but these elements were largely lacking. Furthermore, there were weak linkages between ROM, the budget and staff performance appraisal processes.

Strategy. The main thrust of the strategy for improving performance and accountability in the public service will be the systematic and sustained implementation of ROM as an integrated performance management system in the medium- to long-term. The specific outputs and activities for this component are presented in Table A 4.1 below. It is noteworthy that, while the reconfigured ROM system borrows from the past initiative, it will be significantly more robust in the following, six, important respects:

- (a) *Cultivate commitment and support of top level political and technical leadership.* The implementation of ROM will continue to be confronted with a major challenge that in many ways transcends the entire PSRP. This challenge concerns obtaining and sustaining commitment and support to the ROM initiative among the top national leadership. At present, commitment remains weak for several reasons. First political leaders have not been kept abreast of ROM. In this regard, it is noteworthy that Ministers were “last sensitized on ROM in 2000 and in a Cabinet Information Paper of 2003”¹⁰. Second, the previous ROM initiative did not receive the boost needed from clients to spur top leadership to improve performance and deliver results. Under the revamped PSRP, top-level political and technical leadership will be cultivated by:
 - i) sensitizing key stakeholders in ROM
 - ii) articulating the role of ROM in the proposed White Paper on public service transformation
 - iii) encouraging MDAs to involve political leadership in ROM processes, especially at the strategic, entry level.
- (b) *Empower and enable MDAs and LGs to drive the implementation of ROM in their respective organizations.* The essence of ROM is to improve service delivery, efficiency and effectiveness in the use of resources and accountability. These target outputs are the specific responsibility of each and every MDA and LG. The reconfigured ROM system seeks to provide MDAs and LGs with both tools and incentives to systematically embark on the pursuit of these end objectives. In this regard, the PSRP will support MDAs and LGs to devise strategies for embedding ROM in their processes and systems.
- (c) *Integrate ROM with the planning and budgeting system.* Another major challenge concerns synchronizing ROM with other, complementary, government-wide initiatives. In this regard, the Output Oriented Budget (OOB) initiative by MOFPED is particularly important. Fortunately, this need is widely acknowledged by the key institutions involved. In this regard, MOPS’ directorate responsible for ROM is to participate in the Public Expenditure Management Committee charged with ensuring this integration takes place.
- (d) *Embed an integrated performance management system.* The reconfigured ROM system will also take monitoring and appraisal of performance and accountability down to the individual public officer level. Specifically, the system will provide for

¹⁰ ROM: An integrated performance management approach, MOPS/ Development Partners’ Meeting, September 2004

cascading organizational performance targets down to the individual level. Further, it will encompass an overhauled, staff appraisal system that facilitates the modification of behavior by formally specifying criteria on the basis of which individuals will be judged; and allowing MDAs to objectively and effectively reward performance; direct training; and enabling the Service Commissions to take decisions on placement, promotion and discipline. When the system is fully and effectively operational, it will be the basis for the transformation of the public service to a ROM culture.

- (e) *Strengthen the demand for performance and accountability.* ROM, as an integrated management system, will respond to a number of important challenges entailed in the introduction of a performance and accountability regime in the public service. Besides addressing the gaps of the previous initiative, the new system will deliberately seek to strengthen the demand for performance and accountability. In particular, this will be achieved by facilitating access by citizens to information on resource allocation, service delivery standards and performance, and enticing them to be proactive in voicing their opinions and monitoring and evaluation of the public service. In line with the 2004 Report on the Joint Annual Review of Decentralization (JARAD), this proposed level of interaction with clients will need to be extended to LGs. It will also require public organizations to enhance their public relations/Information, Education and Communication (IEC) functions. These are areas to which the PSRP will give prominence under this and the leadership and management development components.

- (f) *Facilitate debureaucratization and enhance client focus in public service delivery.* Redundant, unclear and/or burdensome procedures and paperwork result in high transaction costs, limit the time available for public officers to interact with clients, undermine the delivery of quality and responsive services, and/or create room for non-transparent and arbitrary decision-making. It is against this backdrop that MDAs will be encouraged to identify options for debureaucratization and innovation. In particular, options that seek to simplify or re-engineer administrative systems, procedures and processes; and alternative forms of service delivery (e.g., private sector participation, outsourcing, one-stop centres etc.). MDAs will identify the specific processes, systems and functions to be revamped or delivered through other modes during the strategic planning stage included in ROM, and/or during the restructuring process.

Table A 4.1: Outputs and Main Activities of Sub-Component 1

Strategies	Initiatives	Outputs	Activities	Responsibility
1.1 Institute an integrated public service performance management system based on ROM	1.1.1 Increase awareness of results/performance and client orientation	Clear roles, responsibilities and commitment to ROM of all relevant partners	1.1.1.1 Prepare and disseminate results/performance communication materials 1.1.1.2 Conduct sensitization workshops for political leaders at all levels and other stakeholders 1.1.1.3 Review progress on results/performance orientation in the service with political leaders and other stakeholders 1.1.1.4 Support ROM partners to develop strategies for embedding ROM in their processes and systems and in their implementation through MDAs and local governments 1.1.1.5 Hold quarterly steering committee meetings for partners 1.1.1.6 Strengthen capacity of ROM teams in MDAs and local governments	PSID
	1.1.2 Improve framework for enhanced results/performance and client orientation	Revised laws and regulations Service delivery standards developed Incentives and sanctions framework established	1.1.2.1 Coordinate the identification and review of current laws, policies, regulations and values that inhibit performance 1.1.2.2 Finalize the framework and guidelines with MOFPED and other stakeholders in planning & budgeting for MDAs & SWGs 1.1.2.3 Disseminate framework and guidelines to MDAs & LGs 1.1.2.4 Design and plan the National Service Delivery Surveys (NSDS) with UBOS 1.1.2.5 Produce guidelines for preparation of service delivery standards by MDAs and LGs 1.1.2.6 Prepare framework and guidelines for incentives and sanctions	PSID

Strategies	Initiatives	Outputs	Activities	Responsibility
	1.1.3 Integrate ROM in the human resource management, planning and budgeting processes	ROM systems integrated with other systems and fully operational	1.1.3.1 Assess capacity and train planners, budget officers and teams on the integration of ROM 1.1.3.2 Jointly review plans, budgets, and performance reports submitted by MDAs and LGs at all levels 1.1.3.3 Strengthen capacity of the CRU to spearhead implementation of the integration of ROM across the service 1.1.3.4 Monitor and evaluate implementation of ROM across the service and introduce ROM to new ones 1.1.3.5 Support MDAs to set and use service delivery standards 1.1.3.6 Review progress on implementing the new performance appraisal system including review of instruments 1.1.3.7 Build the capacity of HRMD to monitor and review the new performance appraisal system 1.1.3.8 Monitor the implementation of the new performance appraisal system and offer support supervision to the service	PSID & HRMD
1.2 Strengthen the demand for accountability for service delivery	1.2.1 Reinforce the demand for accountability	Client service charters developed Inspection manual consolidated	1.2.1.1 Strengthen the public relations/IEC function in all MDAs 1.2.1.2 Support MDAs to develop, publish and implement client service charters 1.2.1.3 Consolidate the inspection manual 1.2.1.4 Conduct inspection of central and local governments on compliance with set standards 1.2.1.5 Establish a forum for all stakeholders to review performance across service	PSID
1.3 Facilitate debureaucratization and enhance client focus in public service delivery	1.3.1. Identify and enhance dysfunctional systems and procedures 1.3.2 Introduce innovations that enhance public service performance	Systems and procedures streamlined and enhanced Alternative modes of service delivery identified for selected functions Innovations introduced	1.3.1.1. Training and sensitizing MSD staff in process improvement/re-engineering and alternative modes of service delivery 1.3.1.2 Review and study cumbersome processes 1.3.1.3 Presentation and consensus building on proposed service delivery systems 1.3.1.4 Launching and sensitization sessions 1.3.2.1 Circulate, discuss and support business process innovations in MDAs and LGs	MSD

Sub-Component 2 – Human Resources Capacity (US\$7.0 million).

Strategic Objective. Adequate numbers of skilled and motivated technical, professional and managerial personnel in public service organizations.

Overview. In virtually every area of public service delivery, HR is the most critical input. HR are the largest cost factor in the public expenditure framework in terms of salaries and wages; training costs; pensions, etc. In this regard, for example, the wage bill alone constitutes 23 percent and 35 percent of the GOU's total expenditure and discretionary expenditure respectively¹¹. Yet these figures are conservative since there are other HR costs, especially in the development budget, which are not reflected as part of the wage bill (e.g., salaries of project staff, technical assistance, etc.). Furthermore, when HR are not well managed, it often leads to the waste of other resources in services delivery. Therefore efficient and effective management of HR is vital.

Efficient use of HR will generally be ensured through improvements that will be introduced through the adoption of ROM as an integrated performance management system. Thus, issues of performance, accountability and appraisal of personnel will be addressed. The reform of the public service compensation system, including sustained enhancements to public service pay, which is generally acknowledged as a necessary, even though not a sufficient condition for performance, integrity and accountability, are so important that they will be addressed under the pay and pensions reform activities. However, issues of supply, motivation and development of staff need to be separately addressed. This is the purpose of this component.

Strategy. The key elements of the strategy for HR capacity development, whose implementation, initiatives and outputs are elaborated below, comprise the following:

- (a) *Promoting and sustaining meritocracy across the public service.* With a view to remove bottlenecks to efficient recruitment, this element aims to ensure that the environment for recruitments and promotions enables the public service to bring in new skills, good performers and to advance rapidly their careers. In cases where it is not possible to recruit officers through this latter process, the subject positions will be filled through open competition. Specifically this will entail strengthening the capacity of the Public Service, Sector-related and District Commissions to enable them to uphold the principles of recruitment and *promotion* by merit through, for example, the publication of codes of practices and guidelines. The public service has made positive strides in tackling issues of diversity (equity) by: embedding new policies with respect to recruitment, training and compensation in the revised Standing Orders; and decentralizing implementation and coordination of initiatives at the MDA level through focal point officers. However challenges persist, especially around ensuring that disadvantaged groups within the public service, including women, are adequately empowered to take advantage of opportunities to progress their careers. In the spirit of meritocracy, more effort is required in managing and valuing diversity in this area. It is for this reason that measures to prepare women and other disadvantaged groups for promotion prospects have been developed. This

¹¹ Extracted from GOU's Budget Framework – 2004/5

will involve affording them with access to mentoring, and support networks. The issue of diversity is also addressed as part of component 4 which deals with the work environment

- (b) *Installing the IPPS.* A second strategy for HR capacity development will entail implementing the computerized IPPS. Implementation of the IPPS will be phased to cater for a number of factors including the need to: strengthen institutional capacity simultaneously with technological changes; effectively match implementation with personnel and financial resource availability; and, guarantee that the roll-out of the system is technically feasible and can be backed by available infrastructure and specialist support. The implementation of the IPPS will benefit from both lessons of experience and technical support from the implementation of the IFMS.
- (c) *Introducing a comprehensive and sustainable HR development program.* A third element of the strategy centers on implementing a HR development program that ensures that professional, managerial and technical positions in the public service are filled through acquisition and deployment, and by resources/staff who have the requisite qualifications. This will encompass instituting four initiatives to address staffing and performance issues:
 - i) introducing succession planning in line with good practice as a basis for pinpointing and developing prospective successors for key positions in the public service. In this regard, key positions include: professional, managerial and technical jobs that are difficult to fill either because they require a certain mix of skills and experience or market-demand far exceeds supply.
 - ii) building HR planning capacity. Increased capacity in this area will enable public service managers to abstain from relying upon precedent, analogy and judgment, and instead, to adopt a more strategic orientation for making personnel decisions using a framework that demands investigation, forecasting, planning, implementation and M&E.
 - iii) conducting periodic audits to determine public officers' skills levels at a particular point in time against their relevant predetermined skills and competency profiles. The outcome of this exercise will inform the recruitment and staff development processes, and ensure that they are demand-driven.
 - iv) undertaking a comprehensive review of schemes of service to ensure that consistent criteria are used for determining the next career development steps for different cadres within a specific scheme. In addition the review aims to ensure that any changes in the labor market are reflected in schemes of service.
 - v) informing the identification of both short and long-term training needs through HR planning and periodic audits of skills. Training should encompass both short and long-term interventions including, for example, qualification programs for middle level managers, and short-term training and study tours for senior managers.

(d) *Launching a senior executive service scheme.* The 2003 Skills Gap study recommendations with respect to introducing a fast-track scheme and a Senior Executive Service (SES) represent a departure from current practice which, in the main, is perceived to afford equal, career-progression opportunities to all. For this reason, the GOU has exercised caution in the adoption of the study's recommendations. In doing so, top-management has visited Malaysia, the United States of America and the United Kingdom, which have similar leadership and management initiatives, to establish lessons learnt. The experiences from the three countries will culminate in wider consultations within the Uganda public service and its stakeholders, with a view to presenting a policy to Cabinet for approval.

Table A 4.2: Outputs and Main Activities of Sub-Component 2

Strategies	Initiatives	Outputs	Activities	Responsibility
2.1 Ensure efficiency, cost-effectiveness and meritocracy in recruitment and promotions	2.1.1 Strengthen the Public Service Commission (PSC)	Appropriate selection instruments A more efficient and effective PSC Competent personnel recruited	2.1.1.1 Revise the existing legal framework 2.1.1.2 Disseminate the revised law and regulations 2.1.1.3 Initiate special recruitment drive for scarce skilled resources 2.1.1.4 Develop and adopt modern selection instruments 2.1.1.5 Retool the Commission 2.1.1.6 Enhance staff competency and skills	PSC
	2.1.2 Strengthen sector-related and districts commissions	More efficient and effective sector and district service commissions	2.1.2.1 Review and prepare new guidelines for DSCs and sector-related commissions 2.1.2.2 Enhance staff competency and skills for DSCs and sector-related commissions 2.1.2.3 Mentor and guide the commissions	
	2.1.3 Empower women and other disadvantaged groups in securing promotions	Capacity of women and other disadvantaged groups in the public service enhanced	2.1.3.1 Develop and implement interventions to improve skills among disadvantaged (e.g. in confidence building, leadership etc.) 2.1.3.2 Monitor the impact of interventions	HRDD
2.2 Install systems to enable efficient deployment and utilization of human resources in service delivery	2.2.1 Strengthen IPPS	IPPS operational at target sites	2.2.1.1 Update personnel and payroll records 2.2.1.2 Procure software and hardware 2.2.1.3 Pilot implementation of IPPS 2.2.1.4 Roll out implementation of IPPS	HRMD
2.3 Strengthen human resources development	2.3.1 Promote succession planning and multi-skill development	Succession plans in place	2.3.1.1 Support MDAs to prepare succession plans 2.3.1.2 Implement succession plan	HRDD

Strategies	Initiatives	Outputs	Activities	Responsibility
	2.3.2 Build capacity to undertake human resource planning	Human Resource planning conducted	2.3.2.1 Train public officers in human resource planning 2.3.2.2 Support implementation in MDAs	HRDD
	2.3.3 Undertake periodic audit of public service skills	Skills gaps established Staff with scarce skills focus for recruitment and pay reform	2.3.3.1 Carry out periodic audit of skills	HRDD
	2.3.4 Explore how MDAs can be given more flexibility to manage their own HR	Options outlined in study report	2.3.4.1 Undertake study which generates options/proposals	HRDD
	2.3.5 Undertake comprehensive review of schemes of service	Revised schemes of service	2.3.5.1 Conduct training on development of job competencies and schemes of service 2.3.5.2 Supervise the development of competencies for each job in ministries 2.3.5.3 Hold consultative meetings on draft competencies and schemes of service in ministries and local governments 2.3.5.4 Draft new schemes of service 2.3.5.5 Publish and disseminate new schemes of service	HRDD
2.4 Explore feasibility of SES scheme	2.4.1 Undertake in-depth assessment of scheme	Decision on whether to adopt schemes	2.4.1.1 Complete study tour 2.4.1.2 Consult stakeholders on findings and proposals from study tour 2.4.1.3 Develop policy and strategy for approval	HRMD

Sub-Component 3 – Efficiency and Restructuring (US\$1.1 million).

Strategic Objective. Efficient and affordable organization of the public service.

Overview. The public service should be structured in an efficient and productive way to enable it to deliver the quality of services that is demanded. Value-for-money is key to the future success of the public service. The GOU needs to undertake regular analysis to ensure it determines, and subsequently monitors the quantity and quality of personnel and other resources that are required and can be afforded. These efforts need to be supported by the development of processes and alternative methods of service delivery that enable the efficient use and deployment of public

service resources. Since the PSRP reforms commenced in 1991, the GOU has been working on improving its organizations and human resources management. Some highlights include:

- (a) Rightsizing the public service.
- (b) Establishing the actual numbers of personnel on the payroll and monitoring their movement.
- (c) Restructuring ministries in 1998, and defining the optimal level of resources required to deliver their redefined mandates.
- (d) Conducting a study in 2001 to appraise and prioritize divestiture and agency candidates.
- (e) Reviewing the structures of LGs to establish affordable models to support the decentralization process.

In spite of the improvements made in the first two phases of the PSRP, problems remain regarding the quantity of personnel in the public service, and the capacity to deliver responsive, quality and cost-efficient services. Specifically:

- (a) Stakeholders have expressed a concern that there is a mismatch between roles, functions and structures within the GOU. This has led to an apparent duplication or shared functions, e.g., the Ministry of Tourism, Trade and Industry, Ministry of Health and Ministry of Agriculture, Animal Industry and Fisheries.
- (b) A 2003 study on the effectiveness and efficiency in the deployment of personnel in the social sector identified considerable scope for cost savings and improved performance through further reorganization and rightsizing of Government.
- (c) Management of a large public service remains a challenge. In particular, the problem of ghost workers on the payroll persists. Furthermore, in the absence of effective controls over the payroll, the risk of loss of resources through fraud remains pervasive.
- (d) There are a significant number of PIUs, Secretariats, Commissions and other autonomous agencies that duplicate the management structures and functions of their line ministries¹². In addition, replicating the central government structures at sub-national level has contributed to significant increases in employment.

Despite capacity constraints in the public service, deliberate Government efforts to pursue and build capacity for Private Sector Participation (PSP) have been limited. It is noteworthy that the PEAP gives considerable scope and opportunity for PSP in the roads, transport, economic services, education and health sectors. So far, the Ministry of Health has made the most significant headway.

¹² Affording Uganda's Public Administration Sector, Mukherjee R (2003)

There have been major difficulties in carrying through the past initiatives in restructuring and efficiency improvements in the public service. For example, the implementation of the results of the restructuring of LGs and cost effectiveness and efficiency in the social sectors has been pending for the past two or more years. Four major factors explain these difficulties:

- (a) First, current systems and procedures for restructuring are overly bureaucratic. This system needs to be simplified.
- (b) Second, since restructuring often has pervasive implications for staff deployment, it is perceived to be politically sensitive as it has social and economic repercussions. In most cases, it needs strong political backing to carry it through.
- (c) Third, there has been a lack of funds to conduct restructuring exercises and implement their recommendations. Furthermore, MOFPED has found the restructuring recommendations are sometimes wanting in terms of cost effectiveness. Furthermore, restructuring does not always lead to a reduction in the wage bill. It may be motivated by other factors such as the upgrading of posts or the need to increase numbers in response to work load.
- (d) Fourth, the demands for restructuring are prompted by changing policies, legislation, government programs and priorities that emerge throughout the year against a backdrop of inadequate financial resources and other facilities. In other words, the associated costs have not been anticipated or provided for in the MTEF.

Strategy. New initiatives are needed to sustain past gains that enhanced the efficiency of Government, and which were realized through past reforms through of the rationalization of roles and functions, restructuring and rightsizing. In particular, as previously observed, there is a need regularly to review the organization of Government, the operations of its entities and its establishment in order to minimize duplications of functions, redundancies and other forms of resource wastage. To this end, the strategy of the efficiency and restructuring component will have three key elements:

- (a) *Review the overall allocation of roles and functions across Government.* There is need to review the overall allocation of roles and functions on the basis of public service organizations' mandates and missions, with a view to: identifying those that curtail public service/local government managers from effectively performing their responsibilities; specifying any gaps; eliminating those which overlap or are duplicated in other institutions. The review will also address two specific areas specified in the PEAP as follows: the number and mandates of ministries; and the process of establishing district authorities.
- (b) *Rationalize and restructure public organizations.* Another critical priority will be to remove the *bottlenecks* in the restructuring process. To this end, MOPS, in collaboration with stakeholders will: review existing circulars and policy documents; develop viable options for simplifying steps in the restructuring process (particularly approvals), and agree on a preferred option; propose policy revisions; and disseminate the new policy.

Thereafter, guidelines will be developed to provide a model rationalization decision-process to be used to review and streamline numbers, roles and operations of MDAs. Rationalization at the central government level will extend beyond the current focus on structural-efficiency rationalization, which entails “performing what is affordable efficiently,” to strategic rationalization. This latter approach has to do with a fundamental search for alternative and innovative roles, functions and services.

In addition, in line with the PEAP’s requirement to review the size and affordability of LGs’ establishments, which also featured prominently in JARD 2004, the PSRP will support the implementation of model, affordable structures at the LG level.

Also, a critical assessment of options for strengthening Management Services Department’s (MSD) capacity to execute its mandate will be undertaken, including for example, options to address logistical constraints, the employment of technical assistance and building up MSD’s capacity. This assessment will be informed by MDAs’ and other stakeholders’ views.

- (c) *Provide for efficient deployment of personnel.* A first priority will be to undertake effective payroll inspections as a basis for promoting an accountability culture, identifying systemic problems and weaknesses and minimizing exposure to the loss of resources by feeding back early warnings. Inspections will be informed by a payroll inspection program that specifies various tests to be conducted for each control objective.

The next priority will be to carry out cost-effectiveness and efficiency initiatives. The recommendations of the 2003 “Study of Cost Efficiency and Effectiveness in Human Resources Deployment in Social Sectors” will be implemented with a view to realizing fiscal savings and ensuring optimal deployment of resources. These include for example: merging departments to remove overlaps and duplications; increasing the teaching load of secondary school teachers; eliminating specific posts; divesting or closing or rationalizing projects in the agriculture sector; and cleaning the payroll. In addition, similar studies will be extended to other sectors.

Table A 4.3 Outputs and Main Activities of Sub-Components 3

Strategies	Initiatives	Outputs	Activities	Responsibility
3.1 Undertake a comprehensive rationalization of ministries, departments, agencies and local governments	3.1.1 Eliminate/combine overlapping or duplicate roles and functions		3.1.1.1 Review roles and functions 3.1.1.2 Develop options to remove obstacles/overlaps; transfer functions between MDAs and public service Institutions 3.1.1.3 Reallocate roles and functions within the overall structure of Government	MSD
3.2 Undertake a comprehensive review and rationalization of roles, functions and structures across MDAs and	3.2.1 Develop guidelines for continuous review of organizational structures	Restructuring guidelines produced	3.2.1.1 Assess the bottlenecks in restructuring exercise 3.2.1.2 Draft guidelines for review and restructuring of organizations 3.2.1.3 Consult stakeholders to build consensus on proposed guidelines 3.2.1.4 Produce and disseminate approved guidelines 3.2.1.5 Strengthen MSD staff capacity for system analysis and work measurement 3.2.1.6 Implement preferred capacity strengthening options	MSD
	3.2.2 Rationalize structures of MDAs	Pending restructuring initiatives completed	3.2.2.1 Conduct comprehensive restructuring initiatives of MDAs 3.2.2.2 Consult and build consensus on draft recommendations 3.2.2.3 Undertake a study to determine appropriate divestiture options 3.2.2.4 Consult on draft divestiture options 3.2.2.5 Produce and disseminate reports	
	3.2.3 Customize and monitor implementation of LG structures	Appropriate structures implemented in local governments	3.2.3.1 Review reorganization of Local Councils 3.2.3.2 Prepare and disseminate restructuring reports 3.2.3.3 Technical support to LGs in the implementation of customized	
	3.2.4 Review and reorganize the National and Regional Referrals Hospitals	Reviews reports produced	3.2.4.1 Review and collect data 3.2.4.2 Prepare draft reports 3.2.4.3 Produce final reports and disseminate		MS

Strategies	Initiatives	Outputs	Activities	Responsibility
3.3 Develop processes and procedures to enable efficient deployment and utilization of human resources in service delivery	3.3.1 Put in place measures to ensure effective payroll inspections/internal audits	Payroll inspections/internal audit reports	3.3.1.1 Design payroll inspection program 3.3.1.2 Facilitate payroll inspection and internal audits	HRMD
	3.3.2 Implement recommendations of the cost effectiveness and efficiency in social sectors	Rationalized structures and staffing positions in sectors	3.3.2.1 Consult stakeholders to build consensus on priority recommendations 3.3.2.2 Delineate overlapping roles and related staff 3.3.2.3 Prepare and disseminate specific implementation guidelines	MSD
	3.3.3 Review cost effectiveness and efficiency in other selected MDAs and sectors	Cost effectiveness and efficiency studies in MDAS conducted and reports produced	3.3.3.1 Undertake cost effectiveness and efficiency study in semi autonomous organizations 3.3.3.3 Present the findings and build consensus on the way forward strategy 3.3.3.3. Publish and disseminate reports	MSD

Sub-Component 4- Work Environment (US\$19.3 million).

Strategic Objective. A more enabling and empowering work environment.

Overview. The work environment has an impact on the productivity of staff – and there is considerable evidence in the public service to support this premise. Historical and other factors have caused the facilities for public service to fall into a state of disrepair. Basic tools such as stationery are often missing, technological and communication equipment are not always available to staff, and records are not efficiently managed, implying that GOU operations (e.g., HR management, justice, state resources, revenue, social services etc.) are not effectively supported. As a result the public service is handicapped as it is not equipped with the tools that are necessary for it to deliver good quality services.

Issues to do with gender and HIV/AIDS affect negatively the work environment by undermining public service effectiveness and productivity. For example, working and management practices and processes do not account for differences in approach and needs. Furthermore, the public service culture does not fully embrace the ethos of equal opportunity and it condones discriminatory practices.

Strategy. The strategy for enhancing the work environment in the public service will be three pronged: (i) to participate with lead agencies in the development of policies on cross-cutting issues that affect the public service work environment, as elaborated below and ensure their mainstreaming in sector strategies; (ii) to support MDAs to identify and implement measures to improve their work environment. To this end, as explained below, the PSRP will establish a

fund¹³ that will facilitate improvements in the work environment through a demand-driven approach; and (iii) to enhance records management.

(a) *Development of policies on crosscutting issues to enhance the work environment.*

The policy priorities for improving the public service work environment under the PSRP evolve around: HIV/AIDS, gender and ICT. These priorities are explained as follows:

- i) Circular Standing Instruction No. 1 of 2004 issued by MOPS sets out “Guidelines for Accessing HIV/AIDS, Care, Treatment and Support for Public Officers”. In addition, in 2004, MOPS in collaboration with stakeholders (e.g. Office of the President, Ministry of Health, Ministry of Education and Sports, MOFPED etc.) formulated a draft HIV/AIDS policy. It aims to engender non-discriminatory attitudes towards public officers living with HIV/AIDS by, for example, providing guidelines on the treatment of infected persons. The policy also provides a set of standards to do with sensitization, prophylaxis and post-exposure services to be offered. In addition, it specifies roles and responsibilities, including institutional focal points to champion the policy. However, the policy requires further development. This includes the need to define arrangements for M&E during policy implementation and incorporate a strategy for communicating any developments.
- ii) On the basis of the overview above, the formulation and implementation of a gender mainstreaming strategy for the public service is a priority. MOPS will develop this strategy together with stakeholders, especially the Ministry of Gender, Labour and Social Development and ensure that it is mainstreamed in sector strategies. The strategy will be informed by the recent study on gender in the public service. It will also draw on internationally accepted protocols, declarations and conventions including the universal declaration of human rights (1948); convention on the elimination of all forms of discrimination against women (1979); Beijing platform for action (1995); Beijing +5 (2000); Beijing +10 (2005); and the revised National Gender Policy. Its objectives will evolve around advocating diversity, promoting gender sensitivity and improving the situation of women in the public service by fully integrating them into the workforce, and ensuring they achieve parity with their male counterparts.
- iii) MOFPED, MOWHC and the Office of the President are mandated to formulate and implement ICT policies, telecommunication technologies, and broadcasting technologies respectively¹⁴. However, given the potential contribution in transforming the public service that ICT tools are likely to provide, MOPS has an important role in contributing to policy formulation and ensuring its successful mainstreaming in sector strategies and operationalization. It will do so by providing an enabling environment for the application and development of ICT in

¹³ IDA’s support to this initiative will be provided through the PEF

¹⁴ The Uganda Computer Services which fell under MOFPED has been reorganised to form the National Information Technology Authority – Uganda (NITA-U) whose mandate is to “coordinate, promote and monitor IT development within the context of National Social and Economic Development”

support of the public service's modernization and promoting widespread and efficient use of ICT in the public service, including integrated service solutions. The planned IPPS and re-tooling initiatives are cases in point.

- (b) *Demand-driven Improvements to the work environment.* The need for improvements to the work environment in various MDAs and LGs can generally be identified. For example, there is an outcry in virtually every MDA for support in removing operational constraints, modernizing processes/practices and re-tooling to enhance organizational performance (e.g., *provision* of email access, MDA information and service portals; information systems; office equipment and tools; management tools; enhancing management skills, etc.). However, the specific needs of MDAs keep changing as they obtain support from projects, or improvise using whatever available GOU budget resources, or even when a need is overtaken by changes in the broader environment. Consequently, it is prudent to adopt a demand-driven approach in the implementation of this strategic initiative.

MDAs will make an informed choice on re-tooling requirements that enhance organizational and individual performance. This approach differs from the approach whereby the GOU attempts to provide a minimum level of tools and infrastructure to all MDAs. The key benefits of a demand-driven approach are that it: promotes more efficient allocation of resources; offers a greater degree of flexibility, and is therefore more responsive to specific MDAs' needs.

- (c) *Improvements in records management and the decongestion of registries.* Over the years, great efforts have gone into improving the records management infrastructure including identifying and organizing inactive records in the absence of an adequate central storage facility. Against this major constraint, the PSRP will finance the establishment of a new records centre. The centre will support the decongestion of registries in MDAs and facilitate proper retention and disposal of files and other documentation *by* providing secure and economical storage, and rapid retrieval services for inactive paper records. As part of this initiative, the PSRP will also offer training courses for registry staff and users of the centre.

Table A 4.4: Outputs and Main Activities of Sub-Component 4

Strategies	Initiatives	Outputs	Activities	Responsibility	
4.1 To spearhead policies that enhance the work environment	4.1.1 Mainstream HIV/AIDS at the work place	Public service HIV/AIDS policy in place	4.1.1.1 Disseminate the draft policy and guidelines for mainstreaming HIV/AIDS 4.1.1.2 Conduct workshops to build consensus on priority policy issues and strategy. 4.1.1.3 Further develop the policy with stakeholders prior to submission to Cabinet	HRMD	
	4.1.2 Mainstream gender at the work place	Gender issues identified and incorporated in public service regulations	4.1.2.1 Conduct workshops to build consensus on priority recommendations from the study on implications of gender issues on capacity building and performance 4.1.2.2 Consult to identify and agree on issues and strategy 4.1.2.3 Review public service regulations and integrate gender issues	HRMD	
	4.1.3 Support the operationalisation of ICT policies in the public service	ICT policies in place ICT capacity within MOPS and the public service built	4.1.3.1 Contribute to the development of ICT policies for the public service	RITD	
			4.1.3.2 Take stock of ICT hardware and software within MOPS against specifications 4.1.3.3 Build capacity within MOPS to manage ICT tools	FAD	
	4.2 To support ministries in identifying disabling factors in the work environment and preparing plans to close gaps	4.2.1 Establish a re-tooling and capacity building facility	Demand driven fund designed and launched	4.2.1.1 Facilitate consultative review on issues and principles 4.2.1.2 Design institutional and administrative arrangements 4.2.1.3 Prepare guidelines and procedures 4.2.1.4 Prepare implementation framework 4.2.1.5 Implement the retooling program 4.2.1.6 Facilitate MSD with tools and facilities	HRMD / MSD

Strategies	Initiatives	Outputs	Activities	Responsibility
	4.2.2 Enhance access to and storage of records	Records centre operational	4.2.2.1 Disseminate the Records and Archives ACT 4.2.2.2 Establish modern records and archives centre 4.2.2.3 Train staff in records and archives management 4.2.2.4 Support MDAs to manage ICT for records management, both organizationally and technically	RITD

Sub-Component 5 – Pay and Pension Reforms (US\$0.3 million).

Strategic Objective. Motivated and adequately remunerated personnel in public service organizations.

Overview. Uganda has had a pay reform strategy in place since 2001 that aims to bring the pay in the public service closer to that in the private sector. The policy requires that pay be topped up each year so that in the medium to longer-term, pay disparities are removed. However, implementation of the policy has been inhibited by factors such as: the increase in the GOU’s establishment; insufficient provision for increases in the wage bill ceiling; concerns that salary increases will result in the build-up of pension liabilities; autonomous and semi-autonomous institutions, which have created inequalities in public service pay through the award of far higher packages; and the adoption of alternative options of reward that do not accord with existing policies. The latter factor is succinctly described in the 2004 study on remuneration and pay policies in the public service. The study found that “within central Government, lunch, transport and other ‘duty facilitating’ allowances are paid regularly by way of de facto salary supplements, which for junior staff more than double their effective take-home pay.”¹⁵

To address the pay issues mentioned above, the GOU is in the process of revising its pay reform strategy. Broadly, policy proposals include the need for the following:

- (a) To group public service institutions into four categories for the purposes of setting pay levels and limits with a view to achieving harmonization in remuneration. Each category will be guided by specific criteria to be used in determining pay.
- (b) Ensuring that allowances and benefits are quantified and reflected as part of an individual’s remuneration and a MDA’s wage bill. Further the Minister responsible for public service must approve all benefits. It is noteworthy that, for pension purposes, allowances and benefits will not constitute part of an individual’s remuneration.

¹⁵ A Study on Remuneration and Pay Policies for public service Institutions and other Government Agencies – Final Report, The Law and Development Partnership Limited, 2004

- (c) The case for catering for cadres that are in short supply (e.g., accountants, economists, engineers, middle managers, anesthetic assistants, statisticians, etc.), as well as, those posted to hard-to-reach areas. With respect to the former group, there is provision for them to enter their relevant grade at the mid-way point in the scale and/or, where there is justification, offer them a premium equivalent to the previous year's award for the particular grade. The latter group will receive free housing or a transport allowance.

In addition to the above, other policy proposals include the need to:

- (a) Accelerate the salaries of job grades that have major pay differentials with those of the market and/or where there is acute difficulty in recruiting and retaining personnel in the public service due to competition.
- (b) Freeze recruitment for non-middle-level managerial and professional posts, and restrict the set-up or expansion of new institutions and structures.
- (c) Implement the recommendations of the 2003 "Study of Cost Efficiency and Effectiveness in Human Resources Deployment in Social Sectors".
- (d) Rationalize and curtail increases in expenditure (e.g., by minimizing duplications in functions; enforcing a moratorium on the creation of new local governments; effective human resource planning).
- (e) Allocate more resources in the MTEF for the wage bill.
- (f) Introduce a reinforced ROM system.
- (g) Fast-track the development of technical, professional and managerial cadres.
- (h) Eliminate arrears of pensions and other terminal benefits.

Uganda's private and public sectors face several challenges relating to financing and the provision of pensions. Specifically, in the context of the public service, pensions are not fully funded and there are arrears dating back to the 1980s. The latter issue has been exacerbated by the monetization-of-benefits initiative that took place in the mid-1990s. Public expenditure on pensions continues to rise at a rapid rate. In particular, the pensions vote grew "from 5percent of the public administration sector's expenditure in 1997-98 to 14 percent in 2002-3"¹⁶. In addition, if the GOU retains the existing scheme, the pension bill will double and almost quadruple by 2010 and 2020 respectively. This component has been developed in the PSRP in light of these challenges. The strategy for pensions has been informed by the work of the pensions task force chaired by MOFPED and the pension industry stakeholders, who have provided inputs to policy proposals to be deliberated by Cabinet.

Strategy. This component will be undertaken with full cognizance of the fact that pay is in itself a necessary but not sufficient condition for ensuring sustained improvements in the motivation

¹⁶ Affording Uganda's Public Administration Sector, Mukherjee R, 2003

and performance of public officers. Therefore pay reform strategies will be implemented simultaneously with those under other components that serve the same outcome. Moreover, unless demonstrable improvements in performance and accountability are realized by the public service, it will remain difficult to persuade the national political leadership to sustainably increase the medium- to long-term budget allocations to the wage bill that are needed to realize target compensation levels and to clear pension arrears.

The two main strategies under this component are: (i) sustained enhancement of public service pay; and (ii) a reformed pension system. The essential features of these strategies are elaborated below.

- (a) *Sustained enhancement of public service pay.* This entails implementing the revised pay-reform policy-framework following its endorsement by Cabinet. In particular, MOPS will ensure that the policy and its accompanying guidelines are distributed as widely as possible. It will also support oversight of the policy's implementation as a means for: assessing whether it achieves its objectives; providing guidance on whether to continue implementation, and on any required modifications; and advising on future courses of action. In addition, each year MOPS will work closely with MOFPED to agree on public service wage bill targets. During the period of this project, MOPS will also conduct a job evaluation exercise to assess public service pay against market levels, and analyze and weight job grades on the basis of technological and other changes in the environment. As indicated earlier, certain policy proposals will be catered for under other PSRP components. It will therefore be critical that the institutional mechanisms for coordination, M&E of the PSRP function effectively.
- (b) *Reformed pension system.* The GOU recognizes that it may not be fiscally feasible to immediately clear pension arrears. The Government is also challenged to: sustain pension and other retirement benefits at current levels; in addition to spearheading the necessary changes to Article 254 of the Constitution. However, recent developments around the introduction of a defined contribution scheme, "the public service Occupational Scheme", to become effective in July 2006, will result in a more affordable and sustainable regime. The scheme's management will be outsourced. To inform the design of the scheme, particularly contribution rates, the GOU will collect and analyze data such as wage distribution by age, demographic characteristics of the current stock of public officers and pensioners; total expenditure on pensions, etc.

In addition, an inter-ministerial sub-committee of the pensions sector task force, chaired by MOPS' Director of Human Resource Management, has taken responsibility for:

- (i) Drafting the Bill for the Retirements Benefits Fund which will be submitted to Cabinet after the Pensions Regulatory *Authority* Bill being developed under the leadership of MOFPED is approved; and
- (ii) Overseeing the verification of pension debts.

Table A 4.5 Outputs and Main Activities of Sub-Component 5

Strategies	Initiatives	Outputs	Activities	Responsibility
5.1 Enhance public service pay with more rapid increase for the technical, professional and managerial cadres as per existing policy	5.1.1 Implement the pay reform strategy/policy	New pay policy	5.1.1.1 Develop and disseminate pay policy 5.1.1.2 Conduct job evaluation for the public service 5.1.1.3 Develop guidelines on implementation of the pay policy 5.1.1.4 Support and guide the implementation of the pay policy 5.1.1.5 Monitor progress and impact of the pay reform	HRMD
	5.1.2 Introduce incentives for staff deployment to hard-to-reach areas	Policies and or other incentives for hard-to-reach/work in areas	5.1.2.1 Develop a framework for deployment and retention of staff in hard-to-reach areas 5.1.2.2. Implement agreed recommendations 5.1.2.3 Develop guidelines on the implementation	HRMD
5.2 Reform the pension system to restore the status of pensions as an important post-employment benefit for public service employees	5.2.1 Implement pension reforms	Revised pension legislation New pension fund	5.2.1.1 Review and revise the pension legislation and administrative framework 5.2.1.2 Verify and validate pension arrears 5.2.1.3 Design strategy for the new scheme and funding of existing arrears	COMPD

Sub-Component 6: Leadership and Management Development (US\$2.2 million)

Strategic Objective. Effective leadership and change management

Overview. The PSRP’s financial resources have dwindled over the years; as a consequence, the program suffers from severe under-funding. “In the circumstances, other stakeholders question the commitment of the Government and especially the MOFPED to the PSRP.”¹⁷ The challenge during this next phase of reform will be to continually educate and sensitize internal and external stakeholders about the PSRP and its importance for sustaining improvements in the performance of the economy, service delivery and poverty reduction. To provide a sound basis for setting coherent policies/strategies that address and anticipate emerging issues of importance to Ugandan society as a foundation for discerning the GOU’s longer-term direction, it will be equally important for the technocrats to strengthen their capacity to engage stakeholders by debating issues, explaining competently situations, setting out policy options and trade-offs, soliciting stakeholder buy-in for change, etc.

¹⁷ Enhancing Capacity Through Rationalising Roles and Mandates and Structures, PricewaterhouseCoopers, 2003

In addition to the above, it will also be equally important to ensure that the MOPS is equipped to lead and coordinate the reform. In this regard, under previous phases of the program, management working arrangements have been constrained by a bureaucratic framework. Furthermore, program leadership and managerial responsibilities are not clearly delineated between the PS and Deputy Head of the Public Service and the Secretary Administrative Reform (DHOPS/SAR). There is also a view that MOPS' services are "slow, unresponsive, opaque and lacking in client orientation"¹⁸. Thus, MOPS needs to be strengthened institutionally, organizationally and technically to enable it to be more strategic and proactive about the PSRP.

Strategy. The strategy aims to ensure that: (i) both the political and technocratic leadership and its clientele are aware of, committed to, and participate in the implementation of the PSRP initiatives; (ii) the technical leadership can effectively anticipate change and contribute to shaping new policy; and, (iii) the public service has the leadership and management capacity needed to spearhead the transformation of the Uganda public service through the implementation of this and other related reform programs. The strategy has three thrusts:

- (a) *Create awareness and sensitization measures to reinforce and sustain political and stakeholder support for the program.* If leaders do not display their continuous and active support to the PSRP, it is likely to fail. Therefore under this component, the PSRP will seek to secure their full commitment and support for the planned results. The political and top management must be aware of, and buy-into, the objectives and desired outcomes of the PSRP. The Cabinet Memorandum endorsed by Cabinet on March 16, 2006 demonstrates that the top political leadership is committed to the program. More will need to be done to ensure that they fulfill their role as custodians and promoters of the vision. The PSRP will also seek this group's active involvement in reviewing the program's performance, and assuming a central role in addressing forums where progress is communicated.
- (b) At another level, this strategy will foster a more proactive stance with respect to dissemination of information about the program to internal and external stakeholders, as well as clients. The IEC activities will include, for example, the development of popular versions of this strategy, news features and brochures for publication in various media; and participation by PSRP's management in press, radio and television interviews, etc. The specific interventions and their desired impact will be articulated in an IEC plan to be *developed* during implementation of the PSRP. The IEC plan for instance, will take into account the most appropriate media to disseminate messages to the various stakeholders. It will also address mechanisms for soliciting feedback on the impact of the reforms.
- (c) *Strengthen the GOU's policy-making capacity within GOU.* There is a view that the policy-making capacity in the public service is inadequate, and this has the potential to adversely affect Uganda's future development agenda. Against this concern, as a basis for addressing gaps, it will be important to assess: the policy functions that exist in MDAs, and how they are organized to discharge these functions; and the level of

¹⁸ Ibid.

capacity in place (e.g., for research, environmental scanning, strategic thinking, forecasting, scenario modeling, policy analysis, policy advice, etc.). This assessment process will inform the development of capacity-development options/interventions that will ensure that top class intellectual rigor is achieved and sustained in policy-related decision-making. These interventions may include, for example: the introduction of a targeted recruitment program; offering policy analysts the opportunity to undertake new assignments; providing general policy training to new joiners; working more closely with policy 'think-tanks' from civil society; and engaging the political leadership in reviews and discussions about performance and priorities through institutionalized engagement.

- (d) It is expected that these interventions will lead to greater public service institutional capacity to: articulate medium and long-term policy priorities; generate options that can be assessed from a quantitative and qualitative perspective; and evaluate the impact of policies as a mechanism for feedback. Ultimately, sound policy decisions will provide a platform on which the political leadership can effectively discharge its role in serving its constituents.
- (e) *Implant the Capacity for managing change within the service.* The successful implementation of the PSRP strategic framework requires fundamental changes to the MOPS and administrative reform secretariat structure, and within the wider public service culture to become more adaptable and resilient. In other words, some of the desired, future hallmarks in a changed public service include flexibility, innovation, risk-taking, candor, positive approach, clear vision, clarity in organization and effective communication. Given that any change is disruptive and can be threatening, effective change management interventions will be important to achieving these characteristics.

In the context of the above, two critical change-management initiatives have been devised. First, structural change with respect to MOPS/ARS, which addresses the following issues:

- i) How existing organizational arrangements need to change to be better aligned with the objectives of the PSRP and the desired transformation of the public service.
- ii) The necessary changes to reporting structures, which minimize the segmentation and overloading of decision-makers, and ensure effective coordination and interaction.
- iii) How MOPS directorates/ARS will provide MDAs with the necessary technical support during implementation, including an assessment of whether and how best any external technical expertise could facilitate this process and help build the required capacity. Considering the present constraints of MOPS, it is likely that the Ministry will require technical expertise in the areas of HR planning, pensions, M&E, and to support the implementation of the IPPS.

Second, a change management strategy will be developed. The PSRP will handle complex variables including the participation of a significant number of organizations and their staff. These variables limit the extent to which change can be planned on a comprehensive basis over the medium-term. Therefore, the change management strategy initially will focus on tackling the critical current issues. Over time the program will assess and deal with emerging challenges. The program will help address the following current challenges:

- i) The knowledge, skills and abilities needed by the public service leadership, management and staff to make and sustain the changes planned and articulated in the strategic framework, highlighting gaps. These qualities and attributes will probably need to be developed using a range of interventions including discussions, practical work experience, coaching, mentoring and training.
- ii) Critical roles to be assumed and tasks to be performed by MOPS, PSC and MDAs.
- iii) Requisite, desired, observable behaviors, including but not limited to: leaders articulating performance expectations, valuing individual and team contributions; continually assessing progress and adjusting priorities; moving towards more client orientation; and empowering staff to be innovative and risk-taking.
- iv) Information required, including its sources and how it will be used, to communicate progress, map out next actions and make effective decisions.
- v) Any other obstacles that are perceived to inhibit change. Barriers may include, for instance, public officers and stakeholders' cynicism based on unmet expectations from past reforms, anxiety about the new accountability regime, and/or competing interests, e.g., pressure to support other ongoing reform initiatives.

Table A 4.6 Outputs and Main Activities of Sub-Component 6

Strategies	Initiatives	Outputs	Activities	Responsibility
6.1 Develop an awareness and sensitization strategy to sustain broad and strong political, leadership and stakeholder support for the program	6.1.1 Secure full ownership and commitment of the political and public service's top leadership	Leaders sensitized White paper Feedback reports Speeches/ presentations by leaders on the program's progress and performance	6.1.1.1 Sensitize leaders about the revamped PSRP 6.1.1.2 Facilitate leaders to champion the development and deliberation of a White Paper on transforming the public service 6.1.1.3 Secure leadership involvement in reviewing and communicating the PSRP's progress and performance	HRDD
	6.1.2 Inform, communicate and educate public officers, clients and other stakeholders about the PSRP	IEC plan developed Information disseminated Report on impact	6.1.2.1 Develop PSRP's IEC plan 6.1.2.2 Implement plan (e.g. publish and disseminate brochures, booklets, calendars; buy air-time; post performance on the website, etc.) 6.1.2.3 Evaluate the impact of IEC initiatives	ARS
6.2 Strengthen policy capacity	6.2.1 Identify and implement interventions to strengthen policy capacity	Policy capacity assessment report	6.2.1.1 Review capacity and develop options for the way forward 6.2.1.2 Implement approved options	HRDD
6.3 Develop and implement change management interventions	6.3.1 Restructure MOPS/ARS	Approved MOPS/ARS restructuring report MOPS/ARS restructured	6.3.1.1 Confirm/clarify MOPS/ARS' mandates, strategic role and functions 6.3.1.2 Perform an organizational analysis 6.3.1.3 Generate restructuring options 6.3.1.4 Agree preferred option 6.3.1.5 Identify other measures to enhance MOPS'/ARS' effectiveness 6.3.1.6 Develop implementation plan 6.3.1.7 Implement plan	ARS

Strategies	Initiatives	Outputs	Activities	Responsibility
	6.3.2 Develop and implement a change-management strategy in collaboration with stakeholders	Change management strategy Change management interventions implemented	6.3.2.1 Prepare and conduct stakeholders review sessions 6.3.2.2 Prepare the change management strategy 6.3.2.3 Implement the strategy in collaboration with stakeholders 6.3.2.4 Facilitate MDAs to implement change management strategy 6.3.2.5 Monitor, assess and amend the change management strategy	HRDD

ANNEX 4 B - PERFORMANCE ENHANCEMENT FACILITY COMPONENT (US\$55 million)

This annex provides an abridged version of the governance and operational modalities for the PEF as reflected in a detailed PEF operations manual. It draws on the existing GOU legislation and rules to specify management arrangements for the PEF. It also builds on good practices and lessons learnt from other implementation arrangements and modalities developed for other sectors and or similar sectors in other countries.

The manual aims to guide MOPS in its management of the PEF, its coordination of the implementation of the activities funded, and in all aspects of accountability for the PEF. It also aims at guiding other MDAs on accessing, utilizing and accounting for the use the funds. In addition, the manual is available for reference purposes by auditors and other interested parties who wish to understand and/or who are retained to monitor and evaluate PEF management arrangements.

This annex, whose contexts constitute an overview of the PEF manual, highlights the modalities under the following headings:

- (a) Key design features of the PEF;
- (b) Institutional and implementation arrangements;
- (c) Overview of implementation and accountability processes;
- (d) Eligible and ineligible PEF interventions;
- (e) Criteria for evaluation of applications;
- (f) Evaluation of applications;
- (g) Procurement and financial management arrangements;

- (h) Framework for reporting including M&E; and
- (i) Auditing arrangements.

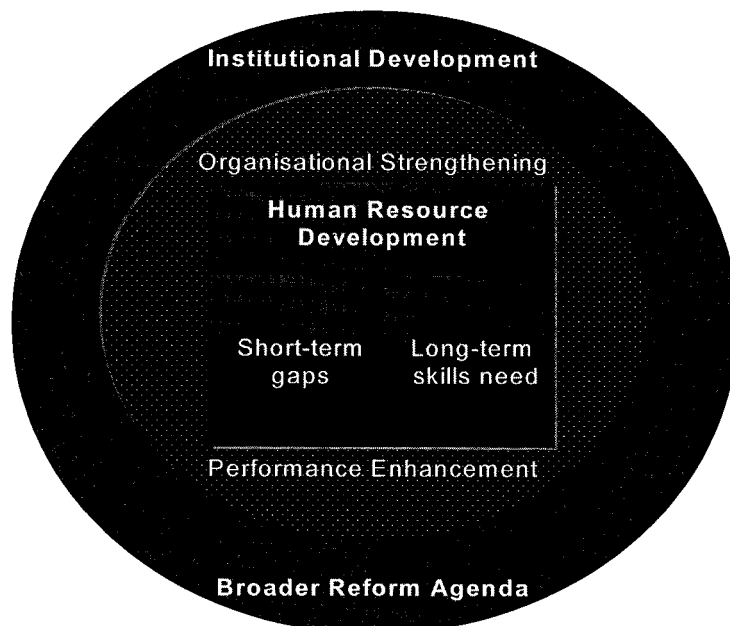
Key design features of the PEF

Nature and purpose of the PEF. The PEF is a facility designed to support a flexible, comprehensive and programmatic approach for performance enhancement of public sector organizations. The overriding aim is to help public sector organizations to meet the objectives of the public sector service delivery and development programs. In the latter context, PEF should support attainment of the performance outcomes of the national strategies and programs for economic growth and development, and poverty reduction by funding MDAs' capacity-development initiatives intended to enhance their performance in delivering services to the public. The PEF will be utilized to support specific proposals from MDAs. Furthermore, access to PEF funding will be clearly linked to a performance improvement plan and a demonstrated commitment to organizational transformation.

The design of the PEF reflects the following key characteristics:

Total systems approach to performance enhancement. From a broad perspective, capacity development and performance enhancement cannot be fully effective and sustainable when they are lopsided or omit major weaknesses. The total systems approach recognizes the multi-faceted nature of effective capacity development and performance improvement. A total systems perspective also reflects that performance enhancement takes place in multiple sub-systems. It also reflects the many inter-linkages entailed, as illustrated in *Figure 1.1*.

Figure 1.1: Total System Perspective to Capacity Building and Performance Enhancement



Capacity development interventions embedded in development processes. This approach ensures that capacity building, including skills development, takes place within the context of specific, targeted performance enhancement and development targets. In this regard, the emphasis is on integrating the PEF interventions with the implementation of sectoral programs where they exist or are planned.

Demand-driven and need-based performance enhancement interventions. This will be realized through a process whereby MDAs are provided with adequate information about the PEF. This will ensure that MDAs as implementers can proactively identify opportunities for improving service delivery, identify capacity-development needs and develop strategies and action plans to meet them, with support from PEF or other facilities. A key participatory aspect of UPSPEP is the arrangement whereby funds will only be accessed by writing proposals as a way of requesting funds and other forms of assistance from the PEF. This process will promote ownership and is more likely to result in addressing real issues affecting capacity development, performance enhancement and improved delivery of public services.

Integrated technical cooperation. An important characteristic of this cooperation is the SWAP-based implementation of the PSRP for this program; there will be a basket fund under the MOPS vote from which various capacity development and performance enhancement interventions will be financed. While the PEF is not, at least initially, a basket-funding mechanism, GOU and IDA will promote this development. Furthermore, the evaluation criteria to access PEF resources, as reflected in the manual, will require confirmation of complementarities and non-duplication with other development programs and projects. This will again promote coordination, reduce conflict and minimize the wastage of resources.

Pursuit of efficiency and effectiveness. Due to scarce resources, criteria for access to the PEF will be put in place to promote efficiency and effectiveness. The principle of value-for-money will guide decision-making about which initiatives and activities should benefit from the facility.

Guiding Principles

PEF support is demand-driven. To access PEF funding a MDA will need to demonstrate its commitment and readiness to improve its performance in delivering services. The PEF provides an incentive for MDAs to transform themselves. It offers the means to bridge the capacity and performance gaps related to the implementation of GOU's development agenda, as reflected in the PEAP. Meritocracy, transparency and accountability are applied in the selection of PEF beneficiaries. In other words, the selection of PEF beneficiaries is based on objective evaluation criteria known to all potential and eligible beneficiaries, and is administered by the TAC that will be transparent, impartial and objective in its decision-making.

Eligible and ineligible interventions

Interventions for PEF support will reflect the above principles. The table below illustrates categories of interventions that are eligible or ineligible for PEF funding. The detailed, indicative list is in the manual.

Eligible/ineligible activities under the PEF

Eligible interventions	Ineligible interventions
<p>PEF will finance interventions that enhance the capacity and performance of the respective MDAs for improved service delivery. Eligible interventions are likely to fall into the following categories:</p> <p>(c) Cross-cutting capacity development and reform initiatives including:</p> <ul style="list-style-type: none"> • Development of national sector strategies and action plans. • Support to public financial management reforms, procurement reforms; and or public service reforms. • Technical support necessary for the implementation of sector strategies and action plans; the identification of institutional issues and constraints to sector development; and specifying strategic objectives and outcomes oriented towards sector-wide performance improvement. <p>(d) MDA-specific capacity development and performance enhancement initiatives including:</p> <ul style="list-style-type: none"> • Technical support at all stages of the development of a MDA’s strategic plan, annual work plan, monitoring and implementation plan. • Technical skills in information technology, procurement, financial management, strategic leadership, and management skills for decision-makers. • Short-term and carefully selected and targeted training in policy analysis and formulation, planning and budgeting, strategic leadership and management, team building and other areas determined to be crucial to the achievement of strategic objectives. • Re-tooling in participating organizations to improve both working facilities and environment including computers and software, in the context of enhancing the capacity of the MDA to deliver on its strategic plan. • Support to organizational restructuring or business process re-engineering linked to the implementation of strategic plans and service delivery. • Activities linked to the above for which the MDA does not have access to another primary source of funds. 	<p>PEF will not be used for interventions that are not for specific, capacity development and service delivery improvement results. Neither will it finance activities from specific proposals that are not linked to the targets identified in the PEAP/PRSC or SDP initiatives results. More specifically:</p> <ul style="list-style-type: none"> • Salaries, salary enhancement, allowances and other remunerative staff benefits, except for fixed-term technical expertise. • Construction and other civil works. • General administrative and other recurrent expenditures of the MDA. • Activities with funding commitments from other sources. • Training activities and study tours except where they can be clearly linked to results and can be justified as the most cost-effective solution. • Commercial activities. • Motor vehicles (except where they are critical inputs to achieve major improvements in service delivery and where they constitute no more than 30 percent of a package of reform measures contained in a proposal for PEF).

Evaluation Criteria for PEF proposals

The set of criteria for evaluating PEF proposals is designed to ensure meritocracy, transparency and accountability in selecting beneficiary MDA initiatives for PEF support. This will ensure objective screening of applications.

The key criteria for evaluating the proposals will include:

- (a) Strategic objectives of the application and their linkages to the PEAP and the PSRP;
- (b) Strategic approach to performance enhancement that takes account of the total systems approach;
- (c) Results focus, that reflects quantitative or qualitative outputs and outcomes improvements that will arise from the intervention;
- (d) Realistic budget that is in line with the proposed activities;
- (e) Inclusive consultative process in developing the proposed initiative that reflects broad consensus among key stakeholders; and
- (f) Completeness of the proposals, reflecting on the links to the strategic plan and annual work plan and budget, the capacity of the implementing institution, M&E arrangements and the sustainability of the respective intervention.

Evaluation and approval process

The evaluation of applications will be in three stages:

- (a) MOPS level. MOPS will ensure the completeness and soundness of the applications. At this stage, MOPS will offer technical assistance to applicants to enhance their chances of being recommended by the TAC.
- (b) TAC level. The TAC will scrutinize and evaluate the proposals. This critical stage will determine whether the application is recommended for approval. It will involve technical validation of the application. The TAC may engage, from time to time, external specialists to evaluate proposals that are more complex, and to act as independent evaluators. Such specialists will be paid from the PEF.
- (c) HOPS. The proposals will be approved and funding will be authorized.

The HOPS will approve proposals based on the following criteria:

- (a) The application has been evaluated and recommended by the TAC; and
- (b) The application is in line with national objectives set out under the public service reform program.

The HOPS may also have privileged information to which the TAC may not have been privy, and he can use this as a basis for approving or rejecting an application.

Reporting and monitoring and evaluation framework

The beneficiary MDA, through MOPS, is required to present regular reports to the TAC and the HOPS. These reports will cover both implementation progress and accounting. The financial reporting requirements shall be in accordance with the PFAA 2003 Regulations/Instructions.

As a minimum, the reporting requirements must include the following:

- (a) Progress report.
- (b) End of performance enhancement initiative report.
- (c) Quarterly follow-up report.
- (d) Annual follow-up report (including self-evaluation).

In addition to the above reporting requirements, the TAC may seek stakeholders' reports for assessment of the implementation of a PEF intervention. The TAC also has the right to commission independent monitoring and evaluation of the implementation processes, outputs and outcomes.

The objective of M&E is to ascertain the extent to which initiatives are meeting their objectives and providing effective and appropriate service delivery benefits to the stakeholders involved. Specifically, in this regard, a selection of PEF initiatives will be chosen annually for field review and/or ex-post evaluation. Representatives from both a MDA and MOPS are expected to participate in field monitoring and evaluation. Such M&E should gauge the effectiveness and sustainable impact of the PEF initiative in addressing poverty and advancing the service delivery needs of the MDA.

MOPS will prepare M&E and summaries of "lessons learned" reports that will be made available to all other participating MDAs.

Sample of Potential Initiatives

Support to Statistical Capacity Development (US\$10 million)

Background. UBOS is preparing a statistical strategy for the entire National Statistical System. This will culminate in the Plan for National Statistics Development (PNSD) that will provide the framework for the development of statistics in UBOS as well as MDAs up to the next population census (planned for 2012). Development of the PNSD has been inclusive, involving data producers, data users, training institutions and financiers (donors and government).

Objective and rationale. Under the PNSD, UBOS provides leadership to MDAs to prepare an MDA-specific statistical strategy that identifies priority data needs, the challenges faced in

current data production and ways to address these challenges. The PNSD is expected to be ready for Cabinet approval by June 2006. The PEF will be used to fund initiatives to improve data production identified in the PNSD, preparation of MDA sector strategies, and strengthening the use of data in monitoring and planning under the NIMES.

Activities to be supported by PEF. PEF funds would finance the preparation of MDA statistical strategies. A sample of activities that may be financed includes:

Uganda Bureau of Statistics

- Support to the PNSD secretariat to supervise PNSD implementation.
- Development and implementation of new survey instruments.
- Improve data dissemination through further development of UgandaInfo.
- Innovate and improve data collection methods.
- Development of new statistical products.
- Revive the Uganda Statistical Society.
- Train UBOS staff in statistical methods.
- Train civil servants in the use of statistics.

MDAs

- Harmonize data-collecting instruments.
- Improve data exchange between districts and the center and between different management information systems.
- Train MDA staff and provide resources to ensure data consistency, completeness and timeliness.
- Train statisticians and planners, and second statisticians to other MDAs.
- Develop new methodologies to enhance the use of data.

Training Institutions

- Develop curricula for training civil servants in data collection, checking, exchange and report writing.
- Train statisticians planners from MDAs (including local government) in results-based planning and monitoring.
- Second training institute staff to data producers.

Measuring Results. Under the PNSD all sector strategies, include a monitoring and evaluation framework with indicators that allow the tracking of progress of PNSD implementation. The PNSD M&E system will be used to track progress and outcomes of the activities.

Support to Procurement Reforms (US\$20 million)

Background. The Public Procurement and Disposal of Public Assets Authority (PPDA) was established by the Public Procurement and Disposal of Public Assets Act 1 of 2003 as the principal regulatory body for public procurement and disposal. Prior to this, public procurement

was governed by the Public Finance Act of 1964. The system was centralized and had been in operation for over thirty years. GOU initiated procurement reforms against the backdrop of a lack of accountability and transparency and the absence of a culture of value-for-money procurements and disposals. The PPDA issued its first, three-year, Corporate Plan in December 2004; it has since been updated and rolled forward to 2007-08.

Objectives and rationale. The PPDA's strategic goals include: establishing a fair, transparent and accountable public procurement system; reducing the incidences of corruption in public procurement; and ensuring value-for-money in public procurement. The PPDA proposal seeks to implement measures in line with the strategic plan to achieve the above objectives.

Possible activities to be supported by the PEF. The PPDA would prepare a proposal for PEF funding to undertake additional measures to achieve the corporate objectives. These activities include, to:

- (a) establish an effective system for collating data from procurement and disposal entities (PDEs) and for managing and disseminating these data;
- (b) develop capacity within the PDEs, the private sector, educational institutions and the PPDA to understand the requirements of the Act and Regulations, together with any applicable guidelines, and to raise standards of procurement professionalism at all levels;
- (c) raise progressively the extent of compliance among PDEs with the terms of the Act, Regulations and the PPDA's guidelines, using an effective system of monitoring through a regular program of audits and inspections as well as prompt and thorough investigation of complaints;
- (d) reduce corruption opportunities in procurement and disposal by improving the mechanisms for detecting such corruption whenever it occurs by conducting regular surveys on the perceptions of corruption in public procurement, identify vulnerable points in the procurement and disposal process, etc.
- (e) bring LGs' procurement and disposal systems up to national and international standards and best practices and thereby achieve harmonization and integration between the Central Government and LG systems;
- (f) support the Government's e-governance programs by making full use of the Internet and related technologies in public procurement and by devising a suitable electronic procurement system for Uganda to enhance the efficiency of the tendering system and the sharing of information; and
- (g) establish an effective system for benchmarking, and M&E of the Ugandan public procurement system against international standards.

Measuring results. Monitoring of the activities will be done through the regular working group meetings consisting of the PPDA, DPs and major PDEs. The PRSC process will also provide the means to assess progress achieved in implementing procurement reforms.

Support to Financial Sector Technical Assistance Program (FSTAP) US\$17.4 million

Background. The Financial Sector Technical Assistance Program (FSTAP) will be an integral part of the UPSPEP. The program will be implemented by MOFPED and the Bank of Uganda (BOU). The FSTAP has been designed to respond to the Uganda Financial Sector Action Plan (FINSAP), which has been prepared by the MOFPED and the BOU with assistance from the World Bank.

Objective and rationale. The FSAP Update made recommendations in five areas: (i) Improving Financial System Efficiency and Outreach; (ii) promoting term financing and developing capital markets; (iii) enhancing prudential sector stability and regulation; (iv) improving systemic liquidity management; (v) strengthening anti-money-laundering efforts. Some of these recommendations have already been implemented. The remaining recommendations are reflected as measures in each of the FINSAP components and are proposed to be funded by PEF.

Activities to be proposed for PEF support. The FSTAP could include the following activities:

- (a) ***Banking Sector.*** (i) Strengthen BOU capacity to resolve the problems of troubled financial organizations, develop frameworks, regulations (if required) and train staff; and (ii) support additional efforts to expand financial payment systems. Expand GOU use of payment systems.
- (b) ***Micro Finance and Rural Finance.*** (i) develop and implement a framework for the regulation and supervision of SACCOs.; and (ii) support the strengthening of UCSCU and the strengthening (or creation) of other apex institutions as appropriate.
- (c) ***Legal and Judicial Reform.*** (i) *Record Keeping:* strengthen the capacity and improve the record keeping of commercial courts through the use of electronic devices and digital technology; and (ii) *Insolvency System:* Update regulations, improve the framework for the licensing of practitioners, strengthen the capacity of practitioners and strengthen the official receiver's office.
- (d) ***Pensions, Insurance and Capital Markets.*** (i) *Pension Policy:* strengthen the capacity to develop policy and implement reforms for pension policy; (ii) *Regulatory Authority:* develop appropriate legislation for the creation of the Uganda Non-Bank Financial Services Authority (UFSA) for the regulation and supervision of pensions, insurance and capital markets; (iii) *Public Sector Pension Fund:* Verify the claims related to pension arrears, improve on estimates; Budget for and make payments of pension arrears; Define alternative reform scenarios; Carry out adequacy-of-benefit analysis for the alternative scenarios. Define the reformed scheme.

- (e) **Loan Term Finance (Infrastructure, Housing, SMEs).** (i) *Infrastructure Finance: (Investment Planning):* Strengthen planning, investment prioritization, project evaluation and coordination. Develop and implement a PPI strategy, including the establishment of a PPI unit. Strengthen the capacity to facilitate private investments. Develop financing and risk mitigation instruments; (ii) *Housing Finance:* Clarify applicable regulation for mortgage finance by banks; review regulation for the securitization of mortgages. Identify instruments to increase the availability of long-term funding for mortgage lending. Develop a secondary market; identify portfolio; appropriate instrument and potential investors. Increase private participation in HFCU; (iii) *SME Finance:* Define future arrangements for the management of Apex Lines. Determine the appropriate role of UDB, develop strategy and implement a restructuring plan.
- (f) **Financial Reporting.** (i) *Institute of Chartered Public Accountants (ICPAU):* Strengthen ICPAU through a twinning arrangement with an internationally reputable professional accountancy body; and (ii) *Accountancy Education:* Curriculum development in higher-education institutions.
- (g) **Anti-Money-Laundering.** (i) *Legislation, regulations, assessments and public awareness:* Support the submission of legislation through an awareness-raising **workshop**; prepare supplemental regulation (if necessary); undertake a vulnerability study of the exposure of key sectors of the economy; and (ii) *BOU Capacity:* Develop supervisory manuals and industry guidelines; Undertake pilot examinations using new manuals.

Measuring results. The FSTAP will involve regular monitoring and evaluation in order to assess results and to make changes to the TA program if necessary. The key outcome indicators for the FSTAP are the two indicators defined in the PEAP: (i) “increase in private sector credit as percent of GDP”. The specific targets are an increase from the baseline of 7.1 percent in 2003 to 10.4 percent in 2007/2008; and (ii) “increase in the number of clients (female and male) served by MFIs. While this indicator will be tracked and monitored, the Bank team intends to propose a broader indicator – increase in the number of clients served by financial institutions in order to account for those households receiving financial services from commercial banks or SACCOs.

Annex 5: Program Costs

UGANDA: Uganda Public Service Performance Enhancement Project (UPSPEP)

Project Cost By Component	Local US\$million	Foreign US\$million	Total US\$million
PSRP Component:	17.79	12.38	30.17
1) Performance & Accountability	<i>1.41</i>	<i>0.18</i>	<i>1.59</i>
2) Human Resources Capacity	<i>4.38</i>	<i>2.45</i>	<i>6.83</i>
3) Efficiency & Restructuring	<i>0.97</i>	<i>0.06</i>	<i>1.03</i>
4) Work Environment	<i>10.23</i>	<i>8.08</i>	<i>18.31</i>
5) Pay & Pension Reform	<i>0.13</i>	<i>0.20</i>	<i>0.33</i>
6) Leadership	<i>0.68</i>	<i>1.41</i>	<i>2.09</i>
PEF Component	26.68	26.68	53.35
Total Baseline Cost	44.47	39.06	83.52
Physical/Price Contingencies	1.38	1.67	3.05
Total Project Costs¹	45.84	40.73	86.57

Annex 6: Implementation Arrangements

UGANDA: Uganda Public Service Performance Enhancement Project (UPSPEP)

Basic Principles

The implementation arrangements are based on the following basic principles:

- (a) **Effective participation of all the stakeholders:** Many of the changes to the public service system that are planned under the project will affect a wide cross-section of society. In the spirit of transparency and accountability, as well as in pursuit of the objectives and merit of a participatory development process, it is important that all stakeholders are adequately consulted and involved in the change processes. However, many of the stakeholders, for practical reasons, cannot be directly represented in the implementing agencies. Therefore, effective participation by all stakeholders will be ensured through alternative mechanisms for stakeholder consultation such as workshops, seminars and conferences.
- (b) **Mainstream project management into MOPS structure.** There is a wealth of documented evidence that the creation of temporary, enclave Project Implementation Units (PIUs) outside the existing Government administrative structures undermines: (i) ownership, commitment and accountability by the primary stakeholders to the program goals and implementation responsibilities, which are usually crucial to the effectiveness of program implementation, and (ii) long-term capacity-building that is critical to the sustainability of project achievements. Therefore, the project implementation responsibilities will be mainstreamed into the existing administrative structures.
- (c) **Fostering links with other reforms.** The GOU has recognized that increased support to the PSRP rests on enhanced coordination of the program through the sector and other SWAPs. In this regard, the PSRP leadership will be proactive in monitoring and influencing progress in the other areas of public sector reform, in particular: public financial management; decentralization; and public policy coordination.
- (d) **Government leadership in the coordination of the development partners' support.** Development partners are important stakeholders in the implementation of the reform program. They provide financial and technical resources that are critical to speedy and effective implementation of the program. At the same time, it is important that this external support does not crowd out ownership, responsibility and accountability by Government institutions. There is also the risk that without decisive leadership and coordination of the program by the Government, the development partners' support could result in fragmentation of the reform efforts, loss of effective collaboration among the implementing agencies and sub-optimal use of external resources.

Key Features of the Implementation Arrangements for the PSRP component

The key features of the project's implementation arrangements are elaborated below. In addition, a detailed operations manual for Component 1 has been developed to facilitate the implementation of the project and its associated, pooled-fund mechanism. They include:

- (a) Policy and strategy coordination through the Implementation Coordination and Steering Committee (ICSC).
- (b) Planning and budgeting coordination through the PSMSWG.
- (c) Technical leadership, coordination and management by MOPS.
- (d) Implementation of PSRP by MDAs.
- (e) Financial management and audit of the project.

Policy and strategy coordination through the ICSC. The ICSC comprising all Permanent Secretaries, and chaired by the HOPS/SC, is responsible for overall leadership, coordination and supervision of Government policies, programs and projects. In this role, the ICSC: provides corporate management to the public service; ensures contestability of policy proposals; and advises the Cabinet Sub-Committee on Policy Coordination (CCPC) on policy content and its implications. The ICSC meets and reports to the CCPC on a quarterly basis. The ICSC, will set aside a session at its quarterly meetings to review PSRP's implementation progress and plans, address any challenges that arise and assess the overall effectiveness of the program.

Planning and budgeting coordination through PSMWG. As mentioned earlier, in addition to the PSRP there are several key public sector reform initiatives underway that extend across MDAs and local governments, and have areas which complement and are dependent on each other. Therefore it will be important to have a coordinating mechanism at the level below ICSC to review and advise on operational issues. For this purpose, a PSM Working Group has been established officially to provide a forum for deliberating, addressing and advising on issues related to the PSRP and other cross-cutting reforms. It consists of the following representatives:

- Permanent Secretary, OPM, Chair;
- Permanent Secretary, MOPS;
- Permanent Secretary, MOFPED;
- Secretary, PSC;
- Permanent Secretary MOLG;
- Representative of NPA;
- Representative of Local Government Finance Commission; and
- Representatives from DPs.

The PSMSWG will meet at least once every three months to discharge the following functions:

- i) Share, exchange and compare views and developments in each of the reform programs, including implementation progress, any emerging/imminent policy changes and the results of appraisals/ evaluations;
- ii) Identify gaps, overlaps and linkages across the key PSR programs. This will include, for example, addressing common needs/problems that require interagency collaboration and coordination, suggesting high-priority actions and areas of cooperation to facilitate successful implementation;
- iii) Review and approve the PSRP's annual operational/work and procurement plans, quarterly cash-flow requirements and associated disbursements from the basket/partnership fund account; and
- iv) Monitor and review the PSRP's performance and the results of internal and external audits. In this regard, for example, the PSMSWG will participate in the monitoring and appraising of the program against the performance benchmarks specified. Given the centrality of the PSRP to PEAP, various facets of the program have been specified as prior actions in the "PEAP Results and Policy Matrix". These prior actions and benchmarks will provide a basis for policy dialogue and negotiating future fund releases.

Technical leadership, coordination and management by MOPS. The technical leadership, coordination and management of the PSRP will be mainstreamed into the restructured MOPS and the PSC. Under this arrangement the relevant directorates and departments will: (a) provide technical advice and offer their skills and knowledge to MDAs and LGs during the PSRP's implementation; and (b) monitor and report on program implementation; and manage the program's resources. The PS MOPS will have overall responsibility and be accountable for the coordination and management of the program's implementation functions. In discharging this role, he will chair monthly meetings of directors and commissioners to discuss budget and scheduling issues and implementation progress (e.g., whether planned activities and associated outputs have been achieved). He/she will report progress to the ICSC.

UPSPEP will contribute to the development and implementation of a change management strategy to enhance MOPS' capacity to, for example, embrace a learning culture, assume an outreach and facilitation approach, adopt team working practices (e.g., sequencing interdependent interventions through advanced planning and communication) and spearhead an informative M&E regime. These and other skills will be built through various staff development initiatives (e.g., coaching, specific training, skills transfer from external expertise etc.) to be specified in the change-management strategy.

Implementation of PSRP by MDAs. MDAs will lead in the implementation of key facets of the program. To this end, a formal structure for the implementation of PSRP initiatives will be established that enables each MDA to ensure that reform efforts are effectively managed and coordinated. In this regard, existing ROM teams in each MDA, comprising its

Accounting Officers and two facilitators, will be expanded to include representation by mid-to senior-level officers from every department, and reconstituted as the Public Service Transformation Team (PSTT). Each PSTT will serve as a hub for its organization, and take responsibility for the management of the allocation of tasks and performance. In addition, each MDA's PSTT will communicate PSRP implementation progress to senior management and staff at management, departmental and staff meetings.

The reconfigured ROM system will provide the framework and model through which MDAs systematically identify their organizational level strategies for reform in a holistic manner. Thus, through ROM, MDAs will be able to bring into a common framework, all the elements of the reform envisaged in this strategy. For example, any case for restructuring will be driven by an MDA's imperatives identified during strategic planning. Further, applications for PEF resources will be geared towards supporting an MDA's strategic direction.

To successfully champion implementation in their respective MDAs, PSTT members will also need to build an understanding of change management concepts, tools and tactics. The change management strategy will provide for such capacity development interventions that adequately prepare them to plan, initiate, manage, reinforce and sustain change within their organizations.

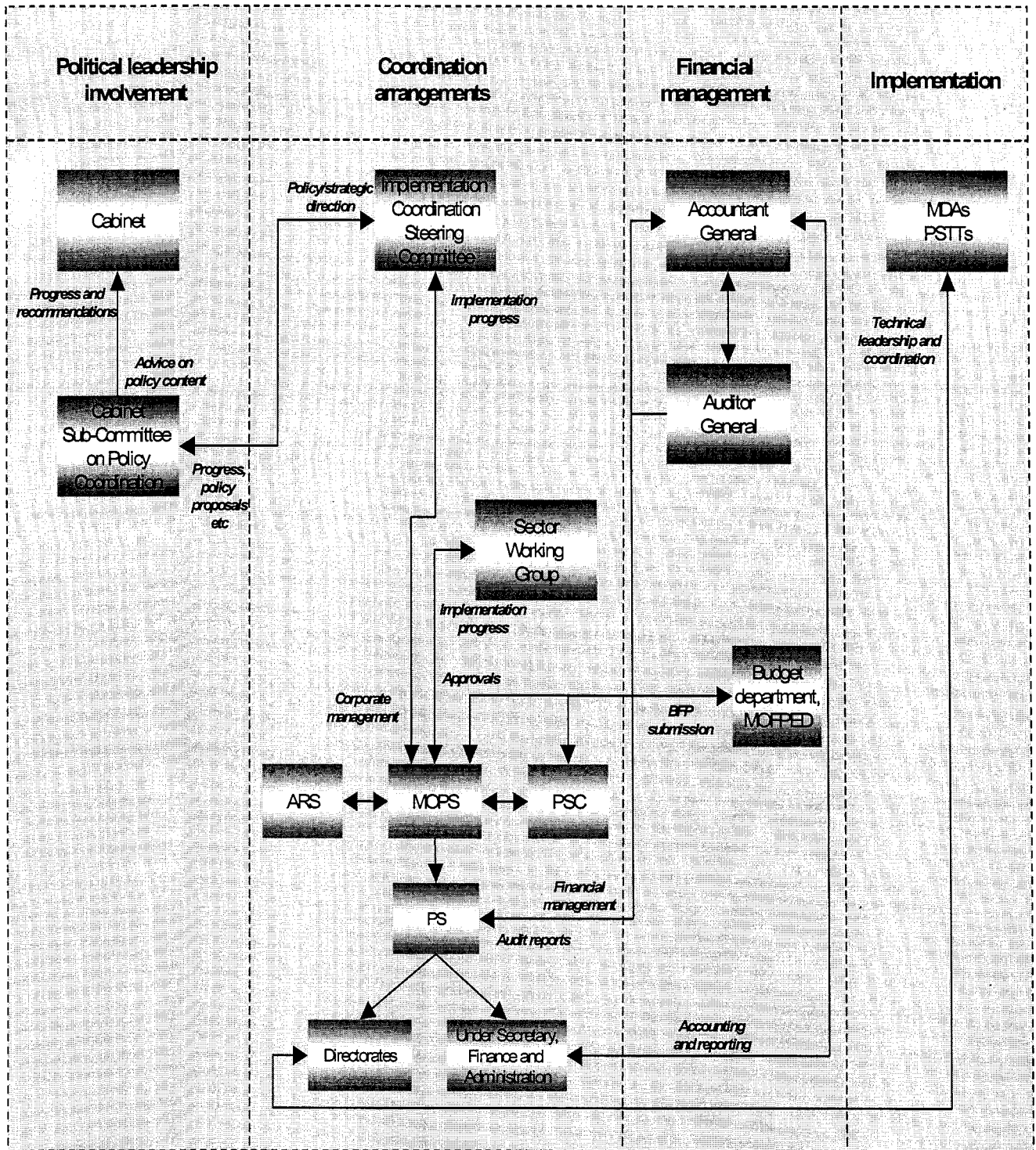
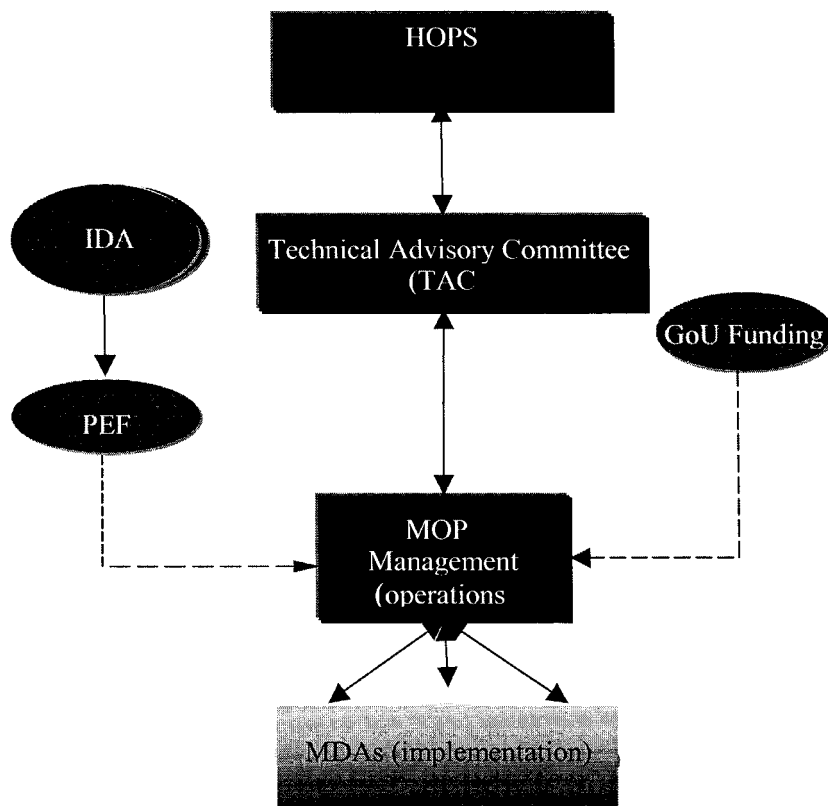


Figure A 6.1- Implementation Arrangements

Implementation Arrangements for the Performance Enhancement Facility Component

PEF's implementation arrangements are designed on the basis of the need to: (i) facilitate close collaboration among the institutions responsible for PEF implementation; (ii) facilitate decentralized implementation of PEF-supported initiatives as a basis for promoting ownership and accountability; (iii) promote mainstreaming of PEF within the current GOU structures; (iv) provide a link between PEF and PSRP; (v) promote wide stakeholder consultation; (vi) enable flexible revision of arrangements to meet changing needs; and (vii) promote GOU leadership as a basis for ensuring sustainability of PEF-funded initiatives.



Overall PEF Implementation Arrangements

Several organizations will have roles and functions under the PEF. They are as follows:

- (a) *The Head of Public Service and Secretary to the Cabinet.* It is proposed to peg major decisions and oversight for PEF implementation at such a high level for the following two main reasons:
 - Through PEF, there is disbursement of substantial resources to MDAs on a selective but meritocratic basis. It is not considered appropriate that any individual MDA or

group of MDAs should have the discretion to make these decisions without reference to the Head of the Public Service (HOPS) and Secretary to Cabinet.

- PEF will also possibly support public organizations outside the mainstream public service such as training organizations, the Uganda Revenue Authority, the National Environmental Management Authority, the Uganda Investment Authority, and others.
- (b) *Technical Advisory Committee (TAC)*. This committee will evaluate applications for funding from MDAs and thus ensure transparency, meritocracy and fairness in the evaluation of applications. Evaluation criteria and procedures to be followed by the TAC are specified in the PEF operations manual (see also Annex 4B). The PS OPM is the chairperson and the committee has the following members, i.e., five permanent secretaries and the executive directors of the private sector foundation and the NGO Council. The PS, MOPS is the secretary to the TAC. The key responsibility of the TAC is to ensure transparency, meritocracy and fairness in the evaluation of beneficiary applications for PEF funding. The committee is also responsible for providing technical advice especially where applications are rejected for failure to meet PEF standards. The implementers are advised on the gaps and assisted to overcome their difficulties. In case additional assistance is required in preparing the applications, implementers are advised by the PEF Coordinator on how to obtain assistance.
- (c) *MOPS technically supports and facilitates the work of the TAC*. The technical functions of MOPS staff in the implementation of the PEF are performed in the mainstream of the existing structures and operations of the ministry. There is no enclave PIU for PEF. Instead, the tasks to be performed by ministry staff are distributed among the directorates, departments and units of the ministry. The preliminary assessment of the completeness and quality of applications from MDAs is done by a task team, comprising officers from the technical directorates of the ministry, before the TAC does the comprehensive evaluation. One of the directorates selected by the PS will be responsible for PEF. This Directorate will organize itself and be empowered to handle all the tasks under PEF. This directorate will provide other technical support to the TAC.

The Permanent Secretary, MOPS, is directly accountable for the use of the PEF funds as well as the overall technical coordination of Program implementation. Furthermore, the Permanent Secretary, or a senior officer working under his/her direction, is designated as the PEF Implementation Coordinator.

- (d) *The PS, MOPS is the Accounting Officer for the Fund*. PEF is mainstreamed in the MTEF and therefore there is budget line item for PEF that falls under the MOPS vote. MOPS will receive the estimated annual performance enhancement initiatives budget from PEF beneficiaries and consolidate them. The consolidated figure will be included in the MOPS ceilings. MOPS will requisition funds from the Accountant General and make payments from its own account on behalf of PEF beneficiaries. MOPS advances funds for spending by the beneficiary department, which will account to MOPS before receiving further disbursements for the successful performance enhancement initiative.

Annex 7: Financial Management and Disbursement Arrangements

UGANDA: Uganda Public Service Performance Enhancement Project (UPSPEP)

Financial management Arrangements:

Introduction. This annex provides the assessment of the financial management capacity of the Ministry of Public Service (MOPS), the implementing agency of the proposed Uganda Public Service Performance Enhancement Project (UPSPEP). It also describes the financial management arrangements that will be undertaken under the proposed operation. The objective of the assessment is to determine: (a) whether MOPS has adequate financial management arrangements to ensure UPSPEP funds will be used for purposes intended in an efficient and economical way; (b) UPSPEP financial reports will be prepared in an accurate, reliable and timely manner; and (c) the entities' assets will be safe guarded. The financial management (FM) assessment was carried out in accordance with the Financial Management Practices Manual issued by the Financial Management Sector Board on November 3, 2005.

Country issues. In recent years, significant improvements in public sector accounting and reporting have been achieved. Most notably, for the last five years, the annual public accounts of GOU have been produced within the statutory period of four months after the end of the financial year and all of the annual audits have been conducted in a timely manner.

The CFAA carried out by IDA in 2004 shows that GOU has made substantial progress in improving its public financial management systems since the previous CFAA was undertaken in 2001. The fiduciary risks associated with poor budget formulation and budget preparation processes have been reduced. Financial and accounting rules and regulations have become clearer as a result of the introduction of appropriate legislation and regulatory frameworks. Annual accounts have become more meaningful with the inclusion of more useful information. It has been recognized, however, that the change process and the introduction of new rules and ways of working takes time to implement. The success of the reform process depends of the ability of these reforms to sustain the positive changes in work attitude, continued capacity building and widespread demand for greater accountability. As such, risks still exist in the following areas: (a) adequate enforcement of procurement and payroll rules and procedures; (b) completeness of data on debt; (c) existence of effective independent oversight; and (d) timeliness and effectiveness of legislative and public scrutiny.

In order to mitigate the aforementioned risks, GOU has developed the Financial Management and Accountability Strategy and it is soliciting the support of DPs to implement it. GOU is also developing an improved legislative framework for integrity. However, legal, institutional and capacity constraints continue to limit the ability of integrity bodies (Inspectorate General of Government, Directorate of Ethic and Integrity, Police, Directorate of Public Prosecution) to effectively perform their functions in the areas of public education, detection, investigation and prosecution of offenders.

GOU is also seeking to rapidly enhance its financial accountability framework towards: (a) mitigation of fiduciary risk in public expenditure management; (b) achievement of economy,

efficiency and effectiveness in the use of public funds; (c) enhancements in transparency and accountability; (d) enhancement of staff capacity in public financial management; and (e) establishment of an appropriate enabling environment for private sector development and regulation. These reform areas have been supported by a number of donor-assisted initiatives under earlier projects. These include the EFMP II and the LGDP II that were supported by IDA and the Financial Accountability and Decentralization Support Project that was funded by DFID. GOU’s reform initiatives were also supported and strengthened by previous PRSCs.

Risk assessment and mitigation. The project needs to establish a financial management system that it is capable of ensuring that:

- funds are used only for their intended purposes in an efficient and economical way;
- funds are properly managed and flow smoothly, adequately, regularly and predictably in order to meet the objectives of the project;
- financial reports are prepared in a timely and accurate manner;
- management is capable of efficiently monitoring the implementation of the project; and
- projects' assets and resources are adequately maintained and safeguarded.

At the same time, implementation of an appropriate and strong financial management system needs to be complemented by the following:

- provision of an adequate number and mix of skilled and experienced staff to manage the project;
- existence of an internal control system that ensures the conduct of an orderly and efficient payment and procurement process, and proper recording and safeguarding of assets and resources;
- existence of an accounting system that meet reporting requirements by GOU and DPs;
- capability of the system to provide financial data that allow the measurement of performance that is linked to the output of the project; and
- timely appointment of independent, qualified auditors that will review the project’s financial statements and internal controls.

The table below shows the results of the risk assessment from the Risk Rating Summary. This identifies the key risks project management may face in achieving project objectives and provides a basis for determining how management should address these risks.

<i>Risk</i>	<i>Risk Rating</i>	<i>Risk Mitigating Measures Incorporated into Project Design</i>	<i>Condition of Negotiations, Board or Effectiveness</i>
Inherent Risk			
■ Country Level	M		
■ Entity Level	M		

<i>Risk</i>	<i>Risk Rating</i>	<i>Risk Mitigating Measures Incorporated into Project Design</i>	<i>Condition of Negotiations, Board or Effectiveness</i>
■ Project Level	H	The project's disbursement and funds flow arrangements are complex because PSRP component will be dealing with multi donors while PEF will be dealing with multi-sectors. This has been mitigated by the TTL including the Country Finance Officer in the appraisal mission to resolve this matter. We expect the residual risk to now be low.	
Control Risk			
■ Budgeting	L		
■ Accounting	L		
■ Internal Control	M		
■ Funds Flow	M		
■ Financial Reporting	M	Interim Financial Report formats were not yet prepared and agreed with the Bank and as a mitigation measure, it was agreed that it would be a condition of negotiation.	Condition of negotiation
■ Auditing	M		
Overall Risk Rating	M		

H – High S – Substantial M – Modest L – Low

The action plan below indicates the actions to be taken for the project to strengthen its financial management system and the dates that they are due to be completed by.

	Action	Date due by	Responsible
1	Agreement of Interim Financial Reporting formats (IFRs)	Negotiation	MOPS and IDA
2	Agreement of terms of reference for external auditors.	Six months after Credit Effectiveness	MOPS and IDA

Strength of the financial management system. The financial management assessment that was carried out indicated that MOPS financial capacity shows strength in the following areas: (a) the accounting and internal audit personnel are adequately qualified and experienced; (b) the financial management manual has been developed in line with the Treasury Accounting Instructions 2003 and this will be complemented by the PSRP and PEF operating manuals; (c) budgeting arrangements are adequate; (d) external and internal auditing arrangements are adequate; (e) funds flow arrangements are adequate; and (f) there is an adequate accounting software system in place to ensure project funds are accounted.

There were no material weaknesses in the financial management arrangements of MOPS to report.

Institutional and implementation arrangements. MOPS, the implementing agency, has implemented IDA projects before such as the Institutional Capacity Building Project (ICBP) in which it has prepared and submitted required financial reports and organized audits in a timely manner. Under the proposed operation, MOPS will be implementing and managing the following activities:

- (a) procurement, including purchases of goods, works, and consulting services;
- (b) project monitoring, reporting and evaluation;
- (c) contractual relationships with IDA and other DPs; and
- (d) financial management and record keeping, accounts and disbursements.

MOPS will also constitute the operational link between IDA and GOU on matters related to the implementation of the project. The Permanent Secretary of MOPS will be the “Accounting Officer” for the project, assuming the overall responsibility for accounting for the project funds.

Budgeting Arrangements. Planning and budgeting procedures are documented in the financial management manual and were found to be adequate. The capacity of the accounting staff to fulfill budgeting needs of the project is adequate. The accounting software can adequately cater for the budgeting arrangements of the project.

Accounting Arrangements

Books of accounts and list of accounting codes. MOPS will maintain books of accounts similar to those for other IDA-funded projects. The books of accounts to be maintained specifically for UPSPEP should thus be set up and should include a cash book, ledgers, journal vouchers, fixed asset register and a contracts register.

The books of accounts will be maintained on a computerized system. A list of accounts codes (Chart of Accounts) for the project should be drawn up. This should match with the classification of expenditures and sources and application of funds indicated in the Financing Agreement. The Chart of accounts should be developed in a way that allows project costs to be related directly to specific work activities and outputs of the project.

Books of Accounts to be used for the project should be opened and a Chart of Accounts should be completed in accordance with the requirement in the Financing Agreement of UPSPEP related to the maintenance of books of accounts for the project.

Staffing. MOPS has an accounting unit headed by a Principal Accountant who will be responsible for maintaining the books of accounts and records of UPSPEP funds. The Principal Accountant will head a team that constitutes 2 Senior Accountants, 2 Accountants and a Principal Accounts Assistant. These staff members have adequate qualifications and experience. In this regard, the staffing arrangements are adequate for MOPS to ensure that UPSPEP funds are accounted for.

All the accounting staff dealing in programs needs to be trained on the more recent World Bank Financial Management and Disbursement Guidelines. This will be arranged in consultation with the Senior Financial Management Specialist at the World Bank Country in Kampala during the implementation period of the project.

The key staff members in MOPS that will account for the program funds are experienced and qualified. This is illustrated below:

MOPS will ensure that appropriate staffing arrangements are maintained throughout the life of the project in order for UPSPEP to be implemented effectively.

Information systems. The accounting unit of MOPS is using the Ledger Works Accounting software and also the Integrated Financial Management System (IFMS) which is a fully integrated computerized budgeting, accounting and reporting system that uses Oracle Application Release software. The IFMS does not capture project operations at present, but MOPS plans to address this issue with MOFPED to ensure that they find a solution. The Country Financial Management Specialist will pursue a satisfactory solution to this issue.

The staff in MOPS have undergone training in the use of IFMS.

Internal Control and Internal Auditing

Internal Controls and the Financial Management Manual (FMM). The existing FMM in MOPS is the Government's Treasury Accounting Instructions 2003 that will be complemented by the Operation Manuals for the PSRP and PEF in areas where it falls short, e.g., in reporting requirements to monitor progress. The Treasury Accounting Instructions accord with the Public Finance and Accountability Act of 2003.

The project's internal control policies and procedures are documented in a Financial Management Manual that can be updated to take into account any changes in accounting policies and procedures.

The procedures used by the project to maintain its records will be documented in its FMM. These will include the requirement for cross references to supporting-documentation in the statement of expenditure (SOE) supporting schedules in order to facilitate the inspection of these schedules and to improve the maintenance of the project's records.

The FMM describes for the accounting system: (a) the major transaction cycles of the project; (b) funds flow processes; the accounting records, supporting documents, computer files and specific accounts in the financial statements involved in the processing of transactions; (c) the list of accounting codes used to group transactions (chart of accounts); (d) the accounting processes from the initiation of a transaction to its inclusion in the financial statements; (e) the authorization procedures for transactions; (f) the financial reporting process used to prepare the financial statements, including significant accounting estimates and disclosures; (g) the financial and accounting policies for the project; (h) the budgeting procedures; (i) the financial forecasting procedures; (j) the procurement and contract administration monitoring procedures; (k) the

procedures undertaken for the replenishment of the Special Account; and (l) the auditing arrangements.

Internal audit. MOPS has an Internal Audit unit with 2 staff comprising a Senior Internal Auditor and an Internal Auditor reporting to him. The Senior Internal Auditor reports to the Accounting Officer, the Permanent Secretary of MOPS, given that, effective November 1, 2005, the internal audit reporting function was decentralized to the ministry. The unit issues reports on a quarterly basis based upon its review of the internal control system of MOPS. The management at the ministry takes action on the findings and recommendations of the report. The qualification and experience of the staff in the unit is adequate and their quality-assurance function is monitored by the Ministry of Finance, Planning and Economic Development (MOFPED) through the Commissioner of Internal Audit. MOPS expect to have an Audit Committee in FY06. In this regard, the internal audit arrangements at MOPS are considered adequate.

The Internal Audit team in MOPS has adequate qualifications and experience to monitor and strengthen the internal control systems of the project.

Funds Flow Arrangements

Component 1: PSRP. At the beginning of each year, GOU and the DPs will agree on an Annual Work Plan (AWP) and the proportion of financing to be allocated among the DPs. The DPs would then, based on a request for funds from GOU, deposit their share of financing for the first six months based on the AWP to a common pool Foreign exchange (FOREX) account that GOU will open in the Bank of Uganda at the start of the project. The second disbursement for the year will be made before the end of the first six months on the basis of a review of project progress and in accordance with the AWP. GOU will draw from this account to a local currency, common pool account as and when required. The PSRP component will be fully funded by the DPs and no counterpart funding is expected from GOU.

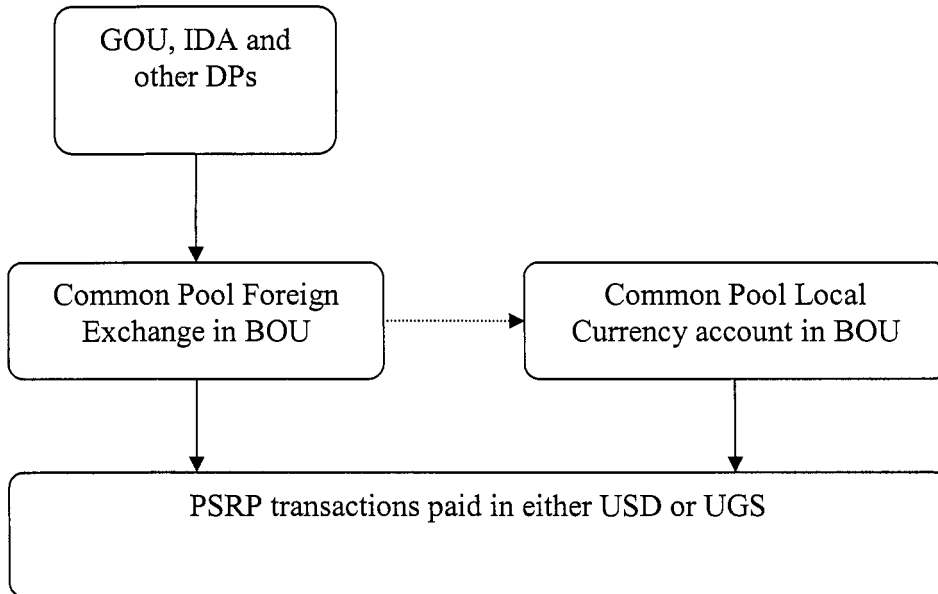
Component 2: PEF. The PEF component will be funded entirely by IDA, and a separate special account will be opened in the Bank of Uganda to which IDA will initially contribute the first six months' of projected expenditure as per AWP based on a request from GOU. The second disbursement to the special account will be made before the end of the first six-month period on the basis of a review of project progress in accordance with AWP. An operating account denominated in the local currency will also be opened from which funds can be transferred to from the special account in order to pay expenses in local currency.

No advances will be made directly to MDAs; the latter will submit their bills to MOPS who will arrange and process the payments.

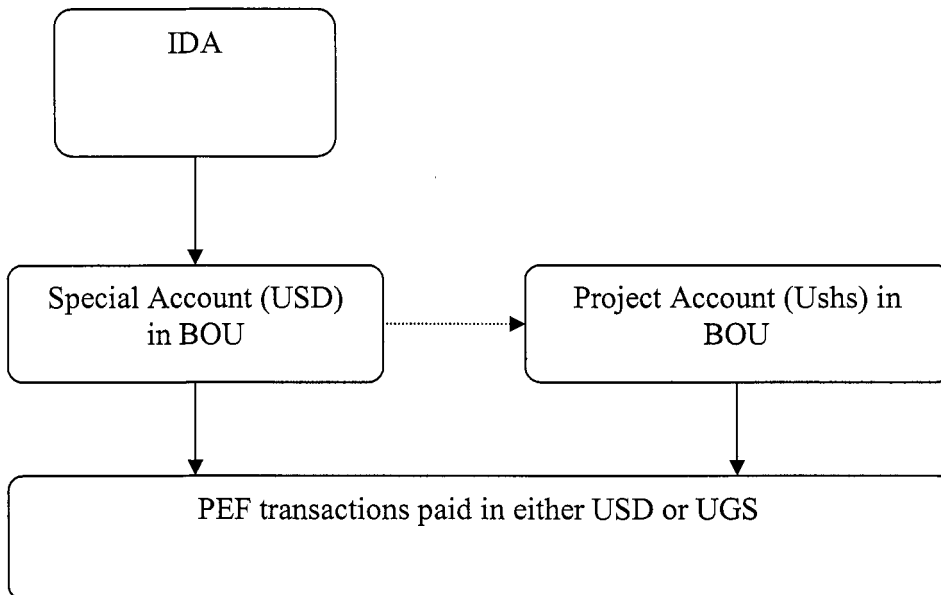
The Common pool FOREX account for the PSRP component and the Special Account for the PEF component will have to be opened in Bank of Uganda in accordance with the Financing Agreement for UPSPEP.

MOPS Bank Account Signatories. The bank account signatories for MOPS are documented in Para. 133 of the Government Treasury Accounting Instructions of 2003. Payments will be approved and signed by the Accounting Officer (PS MOPS) as the principal signatory and the person designated by the Accountant General who, in this case, is the Principal Accountant. If the Accounting Officer is not present, he will delegate authority to sign to the Under-Secretary Finance and Administration.

PSRP FUNDS FLOW CHART



PEF FUNDS FLOW CHART



Disbursement Arrangements. MOPS has established effective financial management and accounting systems that will facilitate six monthly disbursements based on Annual Work Plans (AWPs). The project will need to: (a) sustain a satisfactory financial management rating during project supervision; (b) submit IFRs consistent with the agreed form and content within 45 days of the end of each reporting period; and (c) submit a Project Audit Report by the due date to enable the DPs to continue to disburse on the basis of annual work plans.

The detailed process of disbursement is described below:

Component 1: PSRP. The ceiling on the authorized allocation of the FOREX account will be set at a level that will be adequate to account for the highest six months of DPs' share of expected, eligible expenditure. The DPs will be able to advance funds without receiving any accounting up to that level.

After effectiveness, on the receipt of a withdrawal application from GOU, the DPs would deposit funds required for their share for the first six months of program implementation based on the AWP.

The second disbursement will be made before the end of the six-month period based on a mid-year review of the progress of the project in accordance with the AWP.

MOPS will submit quarterly IFRs that will report expenditure and be used to account for expenditure against the funds advanced to MOPS. However, advances outstanding at any time will not be allowed to exceed the authorized allocation agreed for the project. The IFRs largely will follow the existing reporting formats of GOU and will be finalized before negotiations.

Component 2: PEF. The ceiling on the authorized allocation of the Special account to be separately opened for the PEF component will be set at a level that will be adequate to account for the highest six months of expected eligible expenditure. The Bank will be able to advance funds without receiving any accounting up to that level. The disbursement will be made on a six monthly basis.

Upon credit effectiveness, MOPS will submit a withdrawal application for the first six months' expected expenditure based on AWP. The second disbursement for the year will be made before the end of the six months period based on a review of the project progress and in accordance with the AWP. Quarterly IFRs will be submitted to IDA reporting expenditure that will be used for accounting against advances. However, at any given time, the outstanding advances will not be allowed to exceed the authorized allocation for the project.

If ineligible expenditures are found to have been made from the Special Account, GOU will be obligated to refund the same. If the Special Account remains inactive for more than six months, GOU may be requested to refund to IDA amounts advanced to the Special Account.

IDA will have the right, as reflected in the Financing Agreement, to suspend disbursement of the Funds if reporting requirements are not complied with.

Allocation of Credit Proceeds

<u>Category</u>	<u>Amount of the Credit Allocated (expressed in US\$)</u>	<u>Percentage of Expenditures to Financed</u>
(1) Sub-programs for Part 1 of the Project	14,250,000	Such percentage of eligible expenditures as the Association may determine for each Fiscal Year
(2) PEF Grants for Part 2 of the Project	52,250,000	100percent of the amounts disbursed
(3) Operating Costs for PEF	500,000	100percent
(4) Refund of Project Preparation Advance	500,000	Amount payable pursuant to Section 2.07 of the General Conditions
(5) Unallocated	2,500,000	
TOTAL AMOUNT	70,000,000	

Financial Reporting Arrangements. Formats of the various periodic financial monitoring reports to be generated from the financial management system will be developed. There will be clear linkages between the information in these reports and the Chart of Accounts. The financial reports will be designed to provide quality and timely information to the project management, implementing agencies, and various stakeholders monitoring the project's performance.

The following quarterly IFRs will be produced by MOPS for each of the components, i.e., PSRP and PEF:

(a) Financial Reports:

- i) Sources and Uses of Funds by Funding Source;
- ii) Uses of Funds by Project Activity/Component; and
- iii) Pooled account/special account activity statement.

(b) Physical Progress (Output Monitoring) Report

(c) Procurement Report on prior review contracts

The formats will be defined and agreed by negotiations and the project must demonstrate its capability to produce the IFRs to the Country Financial Management Specialist.

MOPS is eligible to use the report-based disbursement for both the PSRP and PEF, provided that during project implementation, it: (a) sustains satisfactory financial management ratings during the project's supervision; (b) submits IFRs consistent with the agreed form and content as explained below; and (c) submits Project Audit Reports by the due dates.

The financial statements should be prepared in accordance with International Public Sector Accounting Standards (which *inter alia* includes the application of the cash basis for the recognition of transactions). The IDA Financing Agreement will require the submission of audited financial statements to the Bank for both PSRP and PEF within six months after the year-end.

These PSRP and PEF Financial Statements will comprise:

- (a) **A Statement of Sources and Uses of Funds / Cash Receipts and Payments** that recognizes all cash receipts, cash payments and cash balances controlled by the entity; and separately identifies payments by third parties on behalf of the entity.
- (b) **The Accounting Policies Adopted and Explanatory Notes.** The explanatory notes should be presented in a systematic manner with items on the Statement of Cash Receipts and Payments being cross-referenced to any related information in the notes. Examples of this information include a summary of fixed assets by category of assets, and a summary of SOE Withdrawal Schedule, listing individual withdrawal applications; and
- (c) **A Management Assertion** that Bank funds have been expended in accordance with the intended purposes as specified in the relevant World Bank financing agreement.

Indicative formats of these statements will be developed in accordance with IDA and agreed with the Country Financial Management Specialist.

External Auditing. The Auditor General is primarily responsible for the auditing of all government projects. Usually, the audit is subcontracted to a firm of private auditors, with the final report being issued by the Auditor General, based on the tests carried out by the subcontracted firm. In case the audit is subcontracted to a firm of private auditors, IDA funding may be used to pay the cost of the audit. The audits are done in accordance with International Standards on Auditing.

UPSPEP will have an audit report for each of the components, i.e., PSRP and PEF, both of which must be submitted to IDA (and other Development Partners in the case of PSRP) within six months after the end of each financial year. The new Audit Policy Guidelines allow UPSPEP accounts to be included in the MOPS accounts but because MOPS has a reporting deadline of 9 months which is different from IDA's 6 months reporting deadline, UPSPEP's accounts will be

audited separately from MOPS's accounts. Any firm of auditors subcontracted to carry out the audit should meet IDA's requirements in terms of independence, qualifications and experience.

MOPS has managed some IDA projects and none of the projects has an outstanding audit report. No significant issues were raised in the project audit reports managed by MOPS.

The arrangements for the external audit of the financial statements of PSRP and PEF should be communicated to IDA through agreed terms of reference. Appropriate terms of reference for the external auditor must also be developed and agreed within six months of Credit Effectiveness.

GoU does not have a policy that allows public disclosure of audit findings but Article 41 (1) of the Constitution of Uganda allows the public to access this information. The Access to Information Bill, No. 7 of 2004 has been drafted to complement the clause in the constitution and is currently with Parliament. The media under the Press and Journalist Act also has access to information such as audit findings. In addition, the public is allowed to attend the Public Accounts Committee of Parliament when it is addressing audit issues.

The audit reports that will be required to be submitted by PSRP and PEF under UPSPEP and the due dates for submission are:

<i>Audit Report</i>	<i>Due Date</i>
1) Project Specific Financial Statements, i.e., PSRP and PEF annual audited accounts	Submitted within six months after the end of each financial year.

Supervisory plan. A supervision mission will be conducted at least once every year based on the risk assessment of the project. The mission's objectives will include ensuring that strong financial management systems are maintained for the project throughout its life. Reviews will be carried out regularly to ensure that expenditures incurred by the project remain eligible for IDA funding. The Implementation Status Report (ISR) will include a financial management rating for the components. This will be produced by the World Bank Country Office Senior Financial Management Specialist after an appropriate review.

Conclusion of the assessment. A description of the project's financial management arrangements above assesses the risk as moderate and indicates that although the project satisfy's the Bank's minimum requirements under OP/BP10.02, there remain improvements to be effected for the system to be adequate to provide, with reasonable assurance, accurate and timely information on the status of the Project as required by the IDA. The recommended improvements are detailed in the Financial Management Action Plan.

Annex 8: Procurement

UGANDA: Uganda Public Service Performance Enhancement Project (UPSPEP)

A. General

Procurement for the Project would be carried out in accordance with the World Bank's "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004; and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004, and the provisions stipulated in the Financing Agreement. The various items under different expenditure categories are described below. For each contract to be financed by the contributions by the Basket Partners under the Public Service Reform Program (PSRP) component, the different procurement methods or consultant selection methods, the need for pre-qualification, estimated costs, prior review requirements, and time frame will be agreed between the Ministry of Public Service (MOPS) and the Basket Partners in the annual Procurement Plan. For each contract to be financed by the Credit, under the Performance Enhancement Facility (PEF) component, the different procurement methods or consultant selection methods, the need for pre-qualification, estimated costs, prior review requirements, and time frame will be agreed between the MOPS and the Ministry, Department, or Agency (MDA) in the Procurement Plan which will be furnished to the Bank with the request for support. Procurement Plans will be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity. The project procurement function will be decentralized to participating MDAs that are granted the Performance Enhancement Facility (PEF). Any MDA, whose capacity is inadequate to perform the procurement function under the project, may delegate its procurement function to the MOPS. For this purpose MOPS will maintain throughout the project period, adequate procurement management capacity and access to Third Party Procurement Agent(s) and/or Procurement Consultants.

Procurement of Works: Works contracts to be procured under the Project would include: the construction of the Records and Archives Centre. Procurement will be done using the Bank's Standard Bidding Documents (SBD) for all ICB and NCB agreed with or satisfactory to the Bank.

Procurement of Goods: Goods procured under the Project would include: motor vehicles; IT for the Integrated Personnel and Payroll System (IPPS), office equipment; supplies; and furniture. Procurement will be done using the Bank's SBD for all ICB, LIB, and NCB agreed with or satisfactory to the Bank and for Shopping, the Solicitation template included in the PSRP and PEF Operational Manuals will be used. In order to avoid splitting of contracts for supplies of stationary and other consumables, framework contracts will be procured annually or semi-annually, so as to enable MDAs to place orders for urgently needed supplies at short notice, at competitive prices. Micro-procurements or Direct Contracting may be used in only exceptional cases with the prior authority of the Accounting Officer.

Procurement of non-consulting services: Non-consulting services would include provision of services for publishing, travel, advertising, accommodation, promotions in the electronic media, and workshop facilities. Procurement of non-consulting services will be done using the sample

SBD for Non-consulting Services for all ICB and NCB agreed with or satisfactory to the Bank and for Shopping, the Solicitation template included in the annexes of the PSRP and PEF Operational Manuals will be used.

Selection of Consultants: Consulting firms and Individual Consultants will be selected to provide Technical Assistance to MDAs whose proposals require improvement in order to qualify for the PEF. Consultants will also be used to organize and facilitate workshops and to provide specialist Procurement services, to perform financial and Annual Independent Procurement Audit (AIPA) of the project, to monitor and evaluate the outputs and impacts, to assess the progress in meeting Project Development Objectives at Mid- Term Review, for the design and implementation of the IPPS, and the various studies in support of change management and performance enhancement initiatives, as well as consultants to provide engineering services for the construction of the RAC. Shortlists of consultants for services estimated to cost less than US\$200,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Operating Costs: The Project will finance operating costs of the MOPS that directly relate to project implementation. The Project's operating costs will include: fuel and vehicle maintenance for project vehicles, stationery, goods and equipment such as computers, office furniture, communication expenses, subsistence allowances for authorized travel, and equipment.

Performance Enhancement Facility: The PEF will NOT fund civil works, motor vehicles, commercial activities, and other activities that are of general administrative expenditure in nature unless the MDA has presented compelling justification. It will finance interventions that implement the PSRP, or enhance the performance of the MDA in service delivery. A Technical Advisory Committee (TAC) has been established with MOPS as its secretariat. The TAC will evaluate proposals for PEF from MDAs using evaluation criteria that will be published in advance. The evaluation of proposals for PEF will be in three stages: (i) MOPS level: MOPS will ensure completeness and soundness of the applications. At this stage, MOPS will offer technical assistance to applicants to enable them to have higher chances of being recommended for award of PEF by the TAC. (ii) TAC level. The TAC will scrutinize and evaluate the proposals and determine whether or not to recommend the application for approval. It will involve technical validation of the application. The TAC may engage, from time to time, external specialists to evaluate proposals that are more complex and to act as independent evaluators. Such specialists will be paid out of the PEF. (iii) HOPS. The proposals will be approved and funding will be authorized by the Head of the Public Service (HOPS). The HOPS will approve proposals based on the following criteria: (a) The application has been evaluated and recommended by the TAC; and (b) The application is in line with national objectives under the PSRP.

B. Assessment of the agencies capacity to implement procurement

Procurement activities will be carried out by MOPS for the PSRP component and decentralized to MDAs that are granted PEF. The funds utilized by MOPS as a government ministry are public funds regardless of the source. Therefore, UPSPEP funds whether under the PSRP or the PEF are public funds. All procurements utilizing public funds are governed by the Procurement Act,

which is based on the United Nations Commission on International Trade Law (UNCITRAL) model law. The Procurement Act which came into effect on January 17, 2003, established a regulatory body, the Public Procurement and Disposal of Public Assets Authority (PPDA). The *Public Procurement and Disposal of Public Assets Regulations, 2003* (the Procurement Regulations), accompanying the Act, was made in September 2003 to apply to all public procurement and disposal activities. PPDA has since drafted guidelines and forms for use by Procuring and Disposing Entities (PDEs) and on July 1, 2005, it (PPDA) issued SBDs.

An assessment of the capacity of MOPS to implement procurement actions for the project has been carried out by Richard Olowo in January 2006. Implementation of the project will be mainstreamed into the MOPS organizational structure and therefore the assessment reviewed the staffing of the MOPS Procurement and Disposal Unit (PDU) and its interaction with the Ministry's relevant central unit for administration and finance.

The **key issues, risks and risk mitigation measures** for procurement management for project implementation have been identified and are summarized in the table below:

Summary of Assessment of MOPS' Capacity to Implement Procurement

ROLE	STRENGTHS	WEAKNESSES	RISK	ACTION PLAN	COMPLETION DATE
Project-wide					
In charge of the Human Resource Management sector policy & regulation. Overall supervision of the project, contracting authority, Accountability Monitoring & Evaluation	Legally mandated to undertake PSRP and to provide for a PEF. Has experienced and skilled staff for the function. Compliant with the Procurement Act	Project is additional workload to staff that are already fully deployed. Limited skill & experience of SPO in public procurement	Medium	Institutional review to streamline workload in view of the UPSPEP as a long-term program and create structures and reporting lines that support program implementation. Hire Procurement Consultant with satisfactory qualifications & develop PDU capacity	Before Credit Effectiveness
Procurement Planning	Prepared & updated PPF Procurement Plan	Inadequate experience in procurement planning	Medium	Obtain support and prepare overall & 18-month project procurement plans for IDA approval & ministry annual procurement plan for FY06/07 Budget	At project appraisal
Evaluation of Applications, Proposals and Bids	Professionals in HRM available	Lack of skills in Bid/Proposal Evaluation & Quotation	High	Training in basic procurement for staff who participate in Evaluation	Within the first six months of Project Effectiveness

		Analysis and reporting		committees	
Contracts Management	User Departments in place	Staff lack skills & awareness of procurement role	High	Sensitize and train User Departments in procurement role	Within the first six months of Project Effectiveness
Procurement Data Management System (PDMS)	Documents kept & Secretarial support available	Lack of PDMS	High	Set up a satisfactory PDMS	Before Credit Effectiveness
PSRP Component					
Carry out various studies through large-value consultant services contracts	Staff trained & carried out consultant selection & use under the PPF. Skilled Component managers	Inadequate experience in consultant selection & weak contracts management	High	Develop PDU capacity, Sensitize and train User Departments in procurement role	Within first year of Project Effectiveness
Construction and equipping of the Records & Archives Centre	Support available from MOWHC. Consultants to be retained to provide Engineering services	Inadequate experience with large civil works & goods procurement & contracts management	High	Hire Procurement Consultant with satisfactory qualifications and Terms of Reference	Before Project effectiveness
Procurement of goods & equipment & IT for IPSS using ICB method	MOFPED, has experience with IT procurement for IFMS. Consultants will be used for the design and contract management	Lack of experience in procurement management under Bank-financing & in use of Standard Bidding Documents	High	Hire Procurement Consultant of satisfactory qualifications and develop capacity in the PDU. Use Third-Party Procurement Agent (TPPA) for specialist equipment procurement and use Technical Assistance (TA) to support contracts supervision for the IPSS procurement & closely collaborate with IFMS/MOFPED staff	According to the approved Procurement Plan
PEF Component					
Preliminary	A directorate	Staff of the	Medium	Restructure the	By Credit

review of PEF Applications	with skilled staff to manage the PEF	directorate already fully deployed; the PEF is additional work load		directorate to include management of PEF in the long term	effectiveness
Secretariat of TAC for evaluation of PEF Applications	Strong ownership of the competitive PEF model	Additional workload. Poor quality applications. Lack of evaluation & report writing skills	High	Hire consultants to provide Technical Assistance to PEF applicants and to MOPS. Develop capacity in MOPS for evaluation & report writing	Within the first six months after effectiveness
Assessment of Procurement readiness of PEF Applicants	Staff available in PDU	Inadequate capacity to review procurement plans & assess procurement capacity	High	Involve PPDA in certifying procurement readiness of Applicants	As part of the application preparation process
Procurement Capacity development of PEF beneficiaries	Staff available in PDU	MoPS lacks the mandate; Inadequate capacity in PDU	High	Collaborate with PPDA which has the mandate to build procurement capacity. Retain training institutions to provide training in procurement	Within the first six months of credit effectiveness
Accountability for and 'value for money' in the use of the PEF	Staff available in PDU and ownership by MOPS	MoPS lacks the mandate; Inadequate capacity in PDU. Conflict of Interest after MOPS award of PEF	High	Fully decentralize procurement to beneficiary MDAs using PEF. Collaborate with PPDA & Auditor General to conduct prompt audits	Before credit effectiveness

The overall project risk for procurement is rated **HIGH**. This rating will be reviewed annually during the annual Procurement Post Review (PPR) and/or as part of the AIPA exercise.

C. Procurement Plan

The Borrower, at appraisal, had developed a draft procurement plan for project implementation. The Procurement Plan was finalized prior to project negotiations in early-April 2006.—The Procurement Plan will also be available in the project's database and in the Bank's external website. The Procurement Plan will be updated in agreement with the project team annually or as required to reflect the actual project implementation needs and improvements in institutional capacity. The Plan includes the different procurement methods or consultant selection methods,

the need for pre-qualification, estimated costs, prior review requirements, and time frame of the procurement or selection. All contracts using the Government procedures will be subject to PPR and/or AIPA.

D. Frequency of Procurement Supervision

In addition to the prior review supervision to be carried out from Bank offices, the capacity assessment of the Implementing Agency recommends six monthly supervision missions to visit the field to carry out *ex post* review of procurement actions.

E. Details of the Procurement Arrangements Involving International Competition

1. Goods, Works, and Non Consulting Services

(a) List of contract packages to be procured following ICB and direct contracting:

1	2	3	4	5	6	7	8	9
Ref. No.	Contract (Description)	Estimated Cost (US\$'000)	Procurement Method	P-Q	Domestic Preference (yes/no)	Review by Bank (Prior / Post)	Expected Bid-Opening Date	Comments
	Supply, Installation & Commissioning of IPPS	1,384	ICB	Pre	No	Prior	July 21, 08	
	Supply of Specialized Equipment for Records and Archives Centre	972	ICB	Post	Yes	Prior	Nov 20, 09	
	Supply of Motor Vehicles	433	ICB	Post	No	Prior	Oct 20, 06	
	Supply of Motor Vehicles	230	ICB	Post	No	Prior	Oct 20, 08	
	Construction of Records & Archives Centre	10,495	ICB	Pre	Yes	Prior	Feb 5, 07	

International Competitive Bidding (ICB)

(a) ICB contracts estimated to cost above US\$250,000 equivalent for Works and US\$150,000 equivalent per contract and all direct contracting will be subject to prior review by the Bank.

2. Consulting Services. List of consulting assignments with short-list of international firms.

1	2	3	4	5	6	7
Ref. No.	Description of Assignment	Estimated Cost (\$ '000)	Selection Method	Review by Bank (Prior / Post)	Expected Proposals Submission Date	Comments
	Consultancy Services for the Implementation of ROM in the entire Public Service	311	QCBS	Prior	Aug 4, 06	
	Consultancy Services for Restructuring and change Management	213	QCBS	Prior	Aug 4, 06	
	Consultancy Services to develop and Support Pay Reform, Pension reform and Pension Arrears	240	QCBS	Prior	Aug 4, 06	
	Consultancy Services for construction supervision of the Records and Archives Centre	1,000	QCBS	Prior	Aug 4, 06	
	Consultancy Services for IPPS Specialist	500	IC	Prior	Jun 2, 06	
	Consultancy Services for IPPS Procurement Expert	300	IC	Prior	Jun 2, 06	
	Consultancy Services for IT Specialist for IPPS	300	IC	Prior	Jun 2, 06	

Quality and Cost Based Selection (QCBS) and Individual Consultants (IC)

- (a) Consultancy services estimated to cost above US\$100,000 equivalent for firms and US\$50,000 equivalent for Individual Consultants per contract and single source selection of consultants (firms) for assignments estimated to cost above US\$5,000 equivalent will be subject to prior review by the Bank.

- (b) Shortlists composed entirely of national consultants: Short lists of consultants for services estimated to cost less than US\$200,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Annex 9: Economic and Financial Analysis

UGANDA: Uganda Public Service Performance Enhancement Project (UPSPEP)

Not applicable.

Annex 10: Safeguard Policy Issues

UGANDA: Uganda Public Service Performance Enhancement Project (UPSPEP)

Environmental Assessment Categorization B (Partial Assessment)

Under Component 1, sub- component 4 of the PSRP, MOPS intends to construct a Records and Archives (RA) centre as part of its effort to improve the management of records. This centre will support the decongestion of registries in MDAs and facilitate proper retention and disposal of files and other documentation by providing secure and economical storage and rapid retrieval services for inactive records. It will create a central facility for organizing both active and inactive records.

A site for this RA centre has been identified and secured by MOPS, and architectural plans for the construction have been developed and approved by the Government. There are potential negative effects that could arise before construction such as loss of vegetation during site clearing; pollution of land and water resources arising from waste disposal during and after construction, soil erosion that may result from inadequacies in backfilling construction works and improper drainage of storm water; and unsafe disposal of asbestos following demolition/rehabilitation of buildings. Potential social impacts that may arise include possible loss of livelihoods due to the process of evicting individuals who did not heed the MOPS' earlier notice to vacate the site. This had been done on the basis that the houses were due for demolition. Other negative effects could be to health due to air pollution and noise during construction; blockage of access during construction and diseases associated with poor sanitation during use of the buildings.

There is also a potential for social impact in the form of increased pressure on existing water and other natural resources during construction and operation.

These anticipated impacts from construction of the building will be short-term, site specific, confined and reversible, and can be managed through the application of mitigation and monitoring measures.

Measures taken by the borrower to address safeguard policy issues

The project has been given an environmental category rating of B –partial assessment in collaboration with ASPEN. The following safeguard policies might be triggered and addressed as follows

Environmental assessment OP/BP 4.01

During the construction of a Records and Archives Centre, the process may have an impact in terms of traffic disruption, dust, noise pollution etc. In that regard, a site-specific environmental impact assessment (EIA) has been prepared, approved, and disclosed to the World Bank and Government. This has been endorsed by the National Environmental Management Authority (NEMA) and recommended actions will be included in bidding documents for the contractor to

implement during construction which NEMA will supervise. The EIA examines the anticipated impacts from construction and provides mitigation and monitoring measures to counteract them.

MOPS will hire the services of a construction supervising consultant who will have the capacity to monitor, together with NEMA, the effective implementation of safeguard measures as spelt out in the Environmental Management Program (EMP).

Involuntary Resettlement OP/BP 4.12

There are people currently living at the site identified for the Records and Archives centre and they will have to be relocated. Although eviction notices were provided by the implementing agency (Ministry of Public Service), the people did not move. An abbreviated resettlement and compensation action plan (RAP) has been developed and costed by MOPS, approved by the World Bank and Government, and will be implemented at the start of the project. This will guide the respective authorities during the relocation process. This document will be sent to the World Bank Infoshop in Washington for disclosure, and the GOU is printing the same for disclosure in-country.

Key stakeholders and mechanisms for consultation and disclosure on safeguard policies:

The key stakeholders include the NEMA, Ministry of Public Service, and the families at the identified site where the RA centre buildings will be located. In addition the individuals in the surrounding areas, the constructor and supervising consultant for the RA centre will also be part of the wider stakeholder group. MOPS has taken the responsibility of ensuring that all key stakeholders have access to the EMP with the mitigation factors highlighted. In addition, MOPS will hold meetings with the people currently residing at the site and implement the recommendations of the RAP prior to project commencement.

The EMP has been disclosed in the country and the World Bank, and will be forwarded to the World Bank Infoshop. In-country, this has been disclosed at the MOPS, the NEMA, and a notice has been placed in the print media. All city service regulatory agencies will be informed of the EMP requirements.

Annex 11: Project Preparation and Supervision

UGANDA: Uganda Public Service Performance Enhancement Project (UPSPEP)

	Planned	Actual
PCN review		09/19/05
Initial PID to PIC		10/12/05
Initial ISDS to PIC		10/17/05
Appraisal	01/19/04	03/13/06
Negotiations	04/03/06	04/03/06
Board approval	06/20/06	
Planned date of effectiveness	10/31/06	
Planned date of mid-term review	09/20/09	
Planned closing date	12/31/2011	

Key institutions responsible for preparation of the project:

Ministry of Public Service
 Ministry of Finance, Planning and Economic Development

Bank staff and consultants who worked on the project included:

Name	Title	Unit
Denyse Morin	Senior Public Sector Specialist	AFTPR
Barbara Magezi	Public Sector Specialist	AFTPR
Denis Biseko	Public Sector Specialist	AFTPR
Edith Ruguru Mwenda	Senior Counsel	LEGAF
Rajat Narula	Senior Finance Officer	LOAG2
Modupe Adebowale	Senior Disbursement Specialist	LOAG2
Patrick Umah Tete	Senior Financial Management Specialist	AFTFM
Marius Koen	Senior Financial Management Specialist	AFTFM
Prasad C. Mohan	Lead Communication Specialist	AFTQK
Rogati Kayani	Lead Procurement Specialist	AFTPC
Richard Olowo	Procurement Specialist	AFTPC
Serigne Omar Fye	Senior Environmental Specialist	AFTS1
Mary Bitekerezo	Senior Social Development Specialist	AFTS2
Gary Reid	Lead Public Sector Specialist (Peer Reviewer)	ECSPE
Antonius Verheijen	Senior Public Sector Specialist (Peer Reviewer)	ECSPE
Adrian Fozzard	Country Manager Honduras (Peer Reviewer)	LCCHN
Rosemary Mugasha	Team Assistant	AFMUG
Sarah Babirye	Team Assistant	AFMUG
Reynaldo Castro	Operations Analyst	Consultant

Name	Title	Unit
Kithinji Kiragu	Public Sector Management Specialist	Consultant
Kevin Brown	Human Resources Development Specialist	Consultant
Yves Poulin	Institutional Development Specialist	Consultant

Bank funds expended to date on project preparation:

World Bank Funds	Amount (US\$)
1. Bank resources:	588,256.64
2. Trust funds:	0
Total:	588,256.64

Estimated Approval and Supervision costs:

1. Remaining costs to approval: US\$50,000.
2. Estimated annual supervision cost: US\$150,000.

Annex 12: Documents in the Project File

UGANDA: Uganda Public Service Performance Enhancement Project (UPSPEP)

Capacity Building in Uganda, H. Mule & K. Kiragu, July 2000.

Enhancing Capacity & Performance – Results of the Institutional Review of the Ministry, Ministry of Public Service, September 2005

The Procurement Capacity Assessment Report, World Bank, January 2006

Financial Management Assessment Report
World Bank, January 2006

Taking on UPSPEP-Institutional Assessment of the Uganda Ministry of Public Service, Diana Goldsworthy & Kevin Brown, November 2002.

Skills Gap Study in Public Service, PricewaterhouseCoopers, August 2003.

Implications of HIV/AIDS on Public Service Capacity and Performance, Ministry of Public Service, August 2003.

Implications of Gender Issues on Capacity Building and Performance in Public Service, C. Kabonesa, August 2003.

Study on Cost Efficiency and Effectiveness in Human Resources Deployment in Social Sectors, PricewaterhouseCoopers, November 2003.

Leadership and Management Development Needs for Top and Senior Management Study
Crown Agents – 2003

IEC Strategy for Capacity and Performance Enhancement Program (CAPEP) for the Ministry of Public Service
Impact Associates & Communication for Development Foundation Uganda – December 2004

Report of the Monitoring and Evaluation Study for the Capacity and Performance Enhancement Program (CAPEP- Ministry of Planning Finance Planning and Economic Development December 2004
Research Monitoring and Evaluation Consortium –December 2004

Performance Enhancement Fund –Operations manual June 2005
PricewaterhouseCoopers 2005

Public Service Reform Program – Strategic Framework (2005/6 – 2009/10)
Government of Uganda – Ministry of Public Service

Public Service Reform Program – Strategic Framework (2005/6 – 2009/10) – Operations Manual June 2005

Government of Uganda – Ministry of Public Service

Public Service Reform Program – Strategic Framework (2005/6 – 2009/10) – Detailed Program Budget-- June 2005

Government of Uganda – Ministry of Public Service

Public Service Reform Program – Annual Workplan (2005/6) – 2005, Government of Uganda – Ministry of Public Service

Poverty Eradication Action Plan 2004/5 – 2007/8, Government of Uganda Ministry of Finance Planning and Economic Development –December 2004

Strategic Framework for Assistance to Africa –IDA and the Emerging Partnership Model
The World Bank Africa Region - 2004

UGANDA
STATEMENT OF IFC's
Held and Disbursed Portfolio
In Millions of US Dollars

FY Approval	Company	Committed				Disbursed			
		IFC				IFC			
		Loan	Equity	Quasi	Partic.	Loan	Equity	Quasi	Partic.
1996	AEF Agro Mgmt	0.60	0.40	0.00	0.00	0.55	0.40	0.00	0.00
1992	AEF Clovergem	0.84	0.00	0.00	0.00	0.84	0.00	0.00	0.00
1997	AEF Conrad Plaza	0.76	0.00	0.00	0.00	0.76	0.00	0.00	0.00
1998	AEF Exec. Invmnt	0.59	0.00	0.00	0.00	0.59	0.00	0.00	0.00
1999	AEF Gomba	0.60	0.00	0.00	0.00	0.60	0.00	0.00	0.00
2000	AEF Ladoto	0.80	0.00	0.00	0.00	0.80	0.00	0.00	0.00
1998	AEF Mosa Court	0.16	0.00	0.00	0.00	0.16	0.00	0.00	0.00
1995	AEF Rainbow	0.57	0.00	0.00	0.00	0.57	0.00	0.00	0.00
1994	AEF Skyblue	0.33	0.00	0.00	0.00	0.33	0.00	0.00	0.00
1998	AEF White Nile	0.17	0.00	0.00	0.00	0.17	0.00	0.00	0.00
1994/00	CelTel Uganda	1.50	0.00	0.00	0.00	1.50	0.00	0.00	0.00
0/84/92	DFCU	0.00	0.60	0.00	0.00	0.00	0.60	0.00	0.00
1998	Tilda Rice	1.19	0.00	0.00	0.00	1.19	0.00	0.00	0.00
0/83	Uganda Sugar	4.02	0.00	0.00	0.00	4.02	0.00	0.00	0.00
Total portfilio:		619, 0.00	100, 0.00	,0 0.00	,0 0.00	614, 0.00	100, 0.00	,0 0.00	,0 0.00

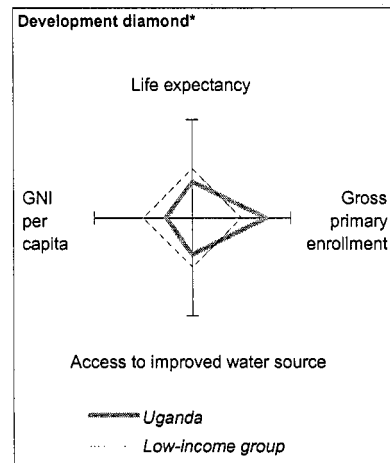
FY Approval	Company	Approvals Pending Commitment			
		Loan	Equity	Quasi	Partic.
2002	Bujagali	0.07	0.00	0.00	0.04
Total pending commitment:		7, 0.00	,0 0.00	,0 0.00	4, 0.00

Annex 14: Country at a Glance

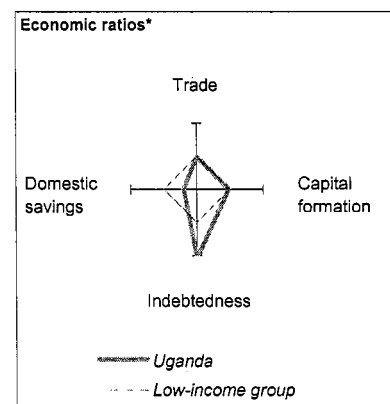
Uganda at a glance

4/3/06

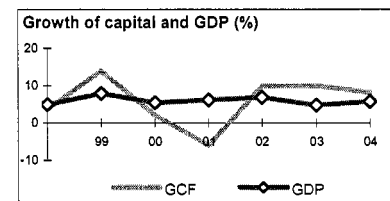
POVERTY and SOCIAL	Uganda	Sub-Saharan Africa	Low-income
2004			
Population, mid-year (millions)	25.9	719	2,338
GNI per capita (Atlas method, US\$)	270	600	510
GNI (Atlas method, US\$ billions)	7.0	432	1,184
Average annual growth, 1998-04			
Population (%)	3.4	2.2	1.8
Labor force (%)	2.4	1.0	2.1
Most recent estimate (latest year available, 1998-04)			
Poverty (% of population below national poverty line)	38	..	..
Urban population (% of total population)	12	37	31
Life expectancy at birth (years)	47	46	58
Infant mortality (per 1,000 live births)	81	101	79
Child malnutrition (% of children under 5)	23	..	44
Access to an improved water source (% of population)	58	58	75
Literacy (% of population age 15+)	69	65	61
Gross primary enrollment (% of school-age population)	141	95	94
Male	142	102	101
Female	139	88	88



KEY ECONOMIC RATIOS and LONG-TERM TRENDS	1984	1994	2003	2004
GDP (US\$ billions)	3.6	4.0	6.3	6.8
Gross capital formation/GDP	8.1	14.7	20.7	21.7
Exports of goods and services/GDP	12.7	8.7	12.3	13.7
Gross domestic savings/GDP	6.5	4.3	6.6	7.9
Gross national savings/GDP	6.3	9.6	7.3	10.1
Current account balance/GDP	-1.9	-6.6	-13.5	-11.3
Interest payments/GDP	0.5	0.8	0.4	0.5
Total debt/GDP	29.6	84.5	72.3	70.8
Total debt service/exports	31.9	43.2	10.5	11.2
Present value of debt/GDP	..	..	30.1	..
Present value of debt/exports	..	..	237.3	..
	1984-94	1994-04	2003	2004
(average annual growth)				
GDP	5.1	6.4	4.7	5.7
GDP per capita	1.5	3.5	1.9	3.1
Exports of goods and services	3.5	10.3	8.0	6.2



STRUCTURE of the ECONOMY	1984	1994	2003	2004
(% of GDP)				
Agriculture	54.8	49.9	32.4	32.2
Industry	10.9	13.9	21.2	21.2
Manufacturing	6.7	6.5	9.3	9.2
Services	34.3	36.2	46.4	46.6
Household final consumption expenditure	82.5	85.4	78.2	76.4
General gov't final consumption expenditure	11.0	10.3	15.2	15.7
Imports of goods and services	14.3	19.1	26.4	27.5
	1984-94	1994-04	2003	2004
(average annual growth)				
Agriculture	3.6	4.0	2.3	5.2
Industry	7.8	9.5	7.2	5.6
Manufacturing	7.9	10.0	4.0	4.0
Services	5.7	7.6	6.3	6.3
Household final consumption expenditure	4.5	6.2	1.3	3.6
General gov't final consumption expenditure	3.7	6.5	6.4	13.0
Gross capital formation	6.7	5.9	10.0	8.1
Imports of goods and services	2.3	6.7	-2.3	3.7



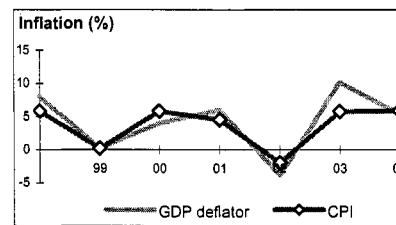
Note: 2004 data are preliminary estimates.

This table was produced from the Development Economics LDB database.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

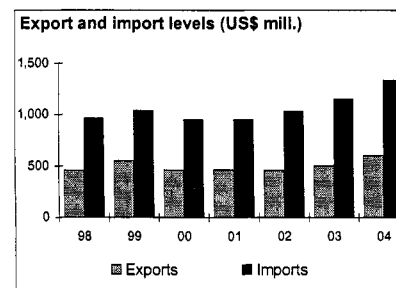
PRICES and GOVERNMENT FINANCE

	1984	1994	2003	2004
Domestic prices (% change)				
Consumer prices	..	6.5	5.7	5.8
Implicit GDP deflator	25.3	6.8	10.1	5.5
Government finance (% of GDP, includes current grants)				
Current revenue	11.1	8.3	12.1	12.6
Current budget balance	2.8	-0.6	-1.1	-0.7
Overall surplus/deficit	-2.7	-10.3	-10.8	-10.5



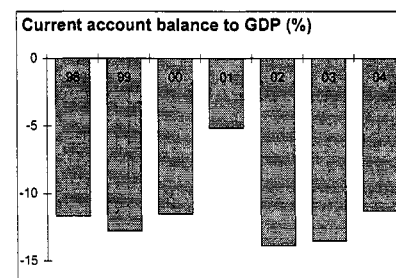
TRADE

	1984	1994	2003	2004
<i>(US\$ millions)</i>				
Total exports (fob)	378	254	498	603
Coffee	342	172	106	108
Cotton	..	4	17	29
Manufactures	..	..	..	..
Total imports (cif)	368	672	1,151	1,336
Food	..	..	..	..
Fuel and energy	91	55	134	144
Capital goods	..	..	..	..
Export price index (2000=100)	238	102	77	86
Import price index (2000=100)	66	89	87	94
Terms of trade (2000=100)	362	114	88	91



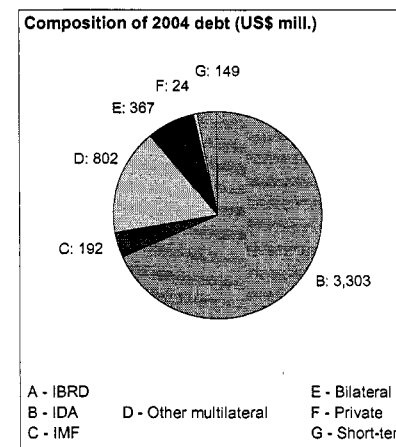
BALANCE of PAYMENTS

	1984	1994	2003	2004
<i>(US\$ millions)</i>				
Exports of goods and services	402	333	778	928
Imports of goods and services	450	841	1,663	1,867
Resource balance	-48	-508	-885	-940
Net income	-47	-61	-131	-140
Net current transfers	26	304	163	308
Current account balance	-69	-265	-852	-771
Financing items (net)	121	355	985	1,000
Changes in net reserves	-52	-90	-133	-228
Memo:				
Reserves including gold (US\$ millions)	117	219	931	1,112
Conversion rate (DEC, local/US\$)	2.3	1,102.7	1,883.4	1,934.9



EXTERNAL DEBT and RESOURCE FLOWS

	1984	1994	2003	2004
<i>(US\$ millions)</i>				
Total debt outstanding and disbursed	1,070	3,371	4,554	4,837
IBRD	35	11	0	0
IDA	177	1,604	3,061	3,303
Total debt service	128	149	84	108
IBRD	2	7	0	0
IDA	2	17	33	41
Composition of net resource flows				
Official grants	66	319	516	0
Official creditors	76	196	287	165
Private creditors	6	-15	7	7
Foreign direct investment (net inflows)	0	88	194	0
Portfolio equity (net inflows)	0	0	1	0
World Bank program				
Commitments	148	262	65	25
Disbursements	58	221	260	138
Principal repayments	1	12	16	17
Net flows	58	208	244	121
Interest payments	4	12	18	24
Net transfers	54	197	227	96

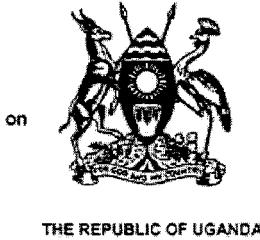


Annex 15: Letter of Sector Policy

Telephones: 234700/9 (10 lines)

Fax : Kampala 230163/341397
Telex : 61170
Email : finance@imul.com

In any correspondence on
this subject please quote No. BPD 86/150/01



Ministry of Finance
Planning & Economic
Development.
P.O. Box 8147,
Kampala.
Uganda.
Plot 2 – 12 Apollo
Kaggwa Rd
Finance HQs Building

16th May 2006

Ms. Judy O'Connor
Country Director, Uganda
The World Bank
50 Mirambo Street
Dar-es-Salaam - Tanzania

Dear Ms Judy O'Connor,

LETTER OF SECTOR POLICY ON THE UGANDA PUBLIC SERVICE PERFORMANCE ENHANCEMENT PROGRAMME (UPSPEP)

I am writing to request, on behalf of the Government of the Republic of Uganda for a credit equivalent to US\$70 million from the International Development Association in support of our strategy for the enhancement of the performance of the public sector. This credit will provide resources for implementing priority interventions in public sector management and good governance within the framework of our new phase of the Poverty Eradication Action Plan (PEAP). This letter outlines policy actions that are consistent with the Government's revamped strategy for the transformation of public sector capacity and performance under a Public Service Reform Program (PSRP). Further, the letter outlines a strategy and actions that the Government will implement in order to ensure comprehensiveness in the interventions to accelerate and sustain economic growth, improved public service delivery and poverty reduction.

Background and Recent Developments

The PEAP identifies weak public sector management as one of the key constraints to sustaining high rates of economic development, poverty reduction and effective service delivery. It also highlights challenges to human resource management in the public sector, including: the gap in pay between the public and private sectors and between the public sector and autonomous agencies; the excessive use of consultancies in some sectors; inadequate supervision; staff absenteeism; weak management of the payroll and training; and arrears in pension and terminal gratuities. Many key public sector institutions, including ministries, departments and agencies (MDAs) of the central government are faced with such severe capacity and performance shortcomings as: deficient management systems and processes, shortages of competent technical, professional and managerial personnel, corruption and unethical conduct by staff at both the centre of Government and on the frontlines of service delivery. These deficiencies must be effectively addressed to ensure the achievement and sustainability of the PEAP development outcomes.

Furthermore, the ongoing 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 and performance constraints of the public sector. In this regard, the knowledge and skills sets required of public servants yesterday is not exactly what is needed today. These constraints often explain the difficulties and delays experienced in the implementation of the PEAP/PRSC benchmark interventions as well as the sector development programs, which are the fronts for enhancing access to and quality of public service delivery, accelerating economic growth and poverty reduction. Weak management systems, such as the personnel and payroll system, result in loss of public funds and inefficiencies in utilization of human resources, which as reflected in the wage bill is by far the largest single expenditure item in the budget.

It is in the latter context that, on 3rd August 2005, His Excellency President Yoweri Museveni ordered a comprehensive audit of the Government payroll to root out ghost workers and close financial leakages in the system. Yet, it is clear that, for the current number and dispersal of Government employees, ghost workers and losses arising from weak internal controls will keep recurring until an effective information technology-based personnel and payroll system is put in place. Unfortunately, due to scarcity of resources, such priority interventions to strengthen the public service management systems have remained pending implementation for a number of years. Similar problems exist with regard to the statistics and monitoring and evaluation system, the implementation of the new public procurement system, and the strengthening of the systems for financial sector development and regulation among other things. For many such interventions, it is already established that they have critical relevance to either: pursuit of efficiency and effectiveness in use of public resources, or improved implementation of programs for expanding and enhancing quality of public service delivery, and/or targeting for more inclusive economic growth and poverty reduction. Through the support of the proposed UPSPEP credit, Government plans to respond holistically and on a long term basis to these challenges of capacity and performance gaps, throughout the public sector on a prioritized basis.

Previous efforts to enhance performance have been fragmented, uncoordinated and not flexible enough to address capacity. In spite of these shortcomings, a number of achievements have been registered in the following areas:

- a) Rationalization of Ministry structures;
- b) Introduction of Results Oriented Management;
- c) Enhancement of skills; and
- d) Introduction of the Integrated Financial Management System (IFMS)

Government Strategy

In the PEAP, the Government has laid down a comprehensive strategy to address the issues and challenges in public sector management and performance. The three major pillars of the strategy are: (i) a financial management and accountability program (FINMAP); (ii) a decentralization and local government development program (LGDP); and (iii) a Public Service Reform Program (PSRP). Indeed, this strategy is not new. The three pillars of the strategy have been under implementation for most of the past decade. Furthermore, considerable progress has been made on all the fronts, especially in the proposed FINMAP and LGDP. The contribution of the World Bank through successive credits (EFMP I and II, and LGDP I and II) has been critical to

this progress. The PSRP on the other hand, has not made any significant progress for the past several years. In this regard, for reasons to do with weak strategies, both Government and development partners progressively withdrew support to the PSRP. The last World Bank credit in support of the PSRP, the Institutional Capacity Building Project (ICBP), ended in 1999.

Nevertheless, GOU recognizes that the PSRP is crucial to the sustainable transformation of the public service and efficient management of the PEAP strategy and programs. In that context, the PEAP specifies several high priority areas to be addressed under the PSRP. These are:

- Strengthening performance management by enhancing the linkages between ROM and the budget process, rolling out the open performance appraisal system across Government and inculcating a performance management culture in the public service.
- Enhancing capacity through demand-driven training, affording opportunities for on-the-job training and providing access to enhanced management systems.
- Providing better public sector remuneration through achieving the targets contained in the pay reform strategy, safeguarding the purchasing power of public officers' salaries and meeting its pension obligations.
- Making Government affordable by achieving efficiency and cost control through the integration of projects into sectoral strategies and the MTEF, and the review of the functions of autonomous agencies.

Government recognizes the important and critical role played by Local Governments in service delivery. Considering that Ministry of Local Government is a member of the Public Sector Management Working Group (PSMWG); Local Governments will benefit from the PSRP to improve performance in procurement and financial management.

In line with the above, through a broadly participatory process led by the Ministry of Public Service (MOPS), the Government completed its revamped PSRP strategy in 2005. However, it is clear that while the PSRP can address most of the supply side interventions to respond to capacity and performance issues, there are many other problems and issues which either cannot as yet be fully defined at this juncture, because they are contingent on other developments and events (such as definition of strategies and implementation of sector programs, policy development, legislation etc.) or they do not neatly fall within the scope of the PSRP strategy.

In the latter context, therefore, Government has identified the need to complement the PSRP strategy (component 1 of the UPSPEP) with a demand-driven strategy, through the establishment of the Performance Enhancement Facility (PEF). The two components of this holistic approach to closing capacity and performance gaps in our PEAP implementation are briefly described below.

Public Service Reform Program

The strategic framework of the PSRP embodies clear links to the PEAP and sector development programs. The six key policy objectives that will be pursued through the program are:

1. Enhanced performance and accountability in public service delivery: This entails

- (a) Cultivating commitment and support of the top level political and technical leadership.
- (b) Integrating ROM within planning and budgeting systems and empowering MDAs to embed ROM in their work processes and systems, as well as facilitating the modification of work behaviour to focus on achieving results.
- (c) Embedding an integrated performance management system which provides for setting of organizational performance targets to be cascaded down to the level of individuals. It will entail the overhaul of the staff appraisal system to one that ensures objective assessment of performance, identifies and tackles performance gaps and recognizes and /or rewards performance.
- (d) Facilitating debureaucratization and enhancing client focus and accountability by re-engineering administrative systems, procedures and processes. It will also involve MDAs developing service delivery and performance standards, making them known to citizens so that they can demand and monitor service delivery by Public Service organizations.

2. Ensure that the public service is staffed with an adequate number of skilled and motivated professional, technical and managerial personnel: This entails:

- (a) Developing and institutionalization of a meritocratic system across the public service to enable Appointing Authorities uphold the principle of merit of recruitment and promotion.
- (b) Installation of an Integrated Personnel and Payroll System (IPPS) as an effective tool for managing, monitoring and controlling the level of public service employment as well as the wage bill within the targets specified in the medium-term pay strategy. It will also facilitate the storage and retrieval of complete and reliable management information and support human resource planning. The IPPS will have an automatic interface with the IFMS to allow information on public service salaries to be shared, removing room for data entry errors. The IPPS will take advantage of the IFMS infrastructure, including its wide area network.
- (c) Introduction of a comprehensive and sustainable human resources development program by introducing succession planning, building HR planning capacity, conducting periodic audits on skill, and undertaking a comprehensive review of schemes of service:

3. Creating an enabling and empowering work environment: This entails:

- (a) Improving records management by establishing a new Records and Archives centre as the existing one is no longer adequate. The centre will support the decongestion of registries in MDAs and assure the proper retention and disposal of files and other documentation by providing secure and economical storage and rapid retrieval services for inactive paper records. Record management capacity will also be enhanced under this objective.
- (b) Improving the work environment to remove operational constraints, modernize processes/practices and re-tool MDAs to enhance organizational performance. This initiative will be implemented using a demand driven approach. Hence it will be supported through UPSPEP component 2- the Performance Enhancement Facility (PEF)
- (c) Developing policies on crosscutting issues to enhance work environment such as HIV-AIDS, gender, and Information Communication Technology (ICT).

4. Pay and pension reforms.

Under this component, Public Service pay will be enhanced and pensions will be reinstated as a post-employment benefit.

Pay reform will entail

- a) Implementation of the pay reform strategy.
- b) Implementation of the pay policy.
- c) Conducting studies aimed at integration of staffing and wage bill issues into the budget process.
- d) Other improvements complemented by human resource management aspects to achieve improved performance levels.

Pension reform will entail:

- a) Designing and implementing an affordable and sustainable pension scheme.
- b) Introduction of a contributory pensions scheme.
- c) Creation of a protected pension's fund.

Government should in the medium term budget framework provide adequate resources to pay the pension liability in order to protect the beneficiaries against various social and economic contingencies and the vagaries of absolute poverty due to deprivation. The effective and efficient management of the pension scheme is a matter of concern to the GoU. GOU will also ensure that pension arrears are prioritized in the budget to reduce on the outstanding bill estimated to be Ushs.320billion as at March 2006.

5. Efficiency in organization and management:

This will entail:

(a) Reviewing the overall allocation of roles and functions and rationalizing and restructuring of public organizations to take into account relevant Constitutional changes. The review will also address two areas specified in the PEAP namely: (i) the number and mandates of ministries and ministers; and (ii) the process of establishing district authorities. It will involve reviewing existing circulars and policy documents; developing viable options for simplifying steps in the restructuring process (particularly approvals); and putting in place a new policy and guidelines. The PSRP will also support the implementation of affordable model structures at a local government level.

(b) Providing for efficient deployment of personnel by conducting payroll inspections as one of the bases for promoting an accountability culture, identifying systemic problems and weaknesses and minimizing exposure to the loss of resources.

6. Leadership and Management Development.

This will entail:

- (a) Conducting awareness and sensitization programs to reinforce and sustain political and stakeholder support for the program to ensure buying into the objectives and desired outcomes of the reform program.
- (b) At another level, MOPS will take a more proactive approach to disseminating information about the PSRP to internal and external stakeholders as well as clients. This will include the development of popular versions of the PSRP strategy, news features and brochures for publication in various media; and participation in press, radio and television interviews. The specific interventions and their desired impact will be articulated in an IEC plan to be developed at the outset of the implementation of the PSRP. In addition to identifying the best way to communicate with stakeholders, it will also identify mechanisms to solicit feedback on the impact of the PSRP.
- (c) Strengthening the government's policy making capacity; assessing the MDAs' policy functions and capacity to fulfill these functions; and assessing the level of current capacity for research, environmental scanning, strategic thinking, forecasting, etc. This will inform the design of capacity development interventions to ensure top-class intellectual rigor to develop and analyze policy options leading to more effective decision-making.

Performance Enhancement Facility

The PEF component of the UPSPEP will support public sector capacity development and performance improvements beyond what is covered in the proposed FINMAP, LGDP, PSRP and sector development programs to the extent that capacity gaps are anticipated or emerge in the course of implementation of programs and projects identified in the PEAP/PRSC priorities. Through the PEF component, UPSPEP will ensure the comprehensiveness of public sector capacity development and performance improvement in Uganda. The PEF is a facility that will provide grants to public sector organizations to enhance their capacity to improve their performance. The achievement of specific outcomes related to MDA's performance improvement plans are key aspects of the facility.

In the latter perspective, the PEF component has thus been conceived as a comprehensive, flexible and programmatic approach to enhancing the performance of public sector organizations. The overriding aim is to help MDAs meet performance targets and attain the service delivery objectives that underpin the national strategies for economic performance and poverty reduction as documented in the PEAP. PEF offers an incentive to creatively transform their capacity and performance, and thereby make their due contribution to the achievement of the country's development and poverty reduction goals.

The key features of the PEF and its operational modalities are prescribed in detail in a manual. The key features of the facility are:

- (a) ***Holistic Approach.*** No gaps will remain unaddressed. This perspective also reflects that performance enhancement occurs in multiple sub-systems that are part of the overall reform process. These include individual needs (human resources development) short-term and long-term gaps in capacity; organizational strengthening (performance enhancement) and finally institutional development (the broader reform agenda).
- (b) ***Demand-Driven and need based.*** This will be realized through a process whereby MDAs are: (i) provided with adequate information on what the PEF is about and how to access the facility; (ii) required to determine their own capacity development needs and the preferred ways to tackle the challenges; and (iii) expected to develop and write their own proposals for accessing the PEF. This decentralized, flexible, MDA-based and demand-driven approach to identifying capacity development and performance enhancement targets will ensure greater result orientation of the interventions supported by the PEF.
- (c) ***MDAs' ownership of design and implementation.*** MDAs will be fully responsible for identifying and preparing proposals to access the facility. They may be assisted by MOPS in the preparation of such proposals, but the content and quality of the application and the efficient and effective implementation of the approved activities will be the sole responsibility of the beneficiary MDA. The responsibilities of the MDA are spelled out in the PEF operations manual.
- (d) ***Checks and balances to ensure fairness, transparency and accountability.*** The PEF will have a governance structure that prevents capture by a single institution and provides for the involvement of key cross-cutting institutions, i.e., the Office of the Prime Minister (OPM), MOFPED, the National Planning Authority (NPA), the Public Service Commission (PSC), the Ministry of Local Government (MOLG) and MOPS in overseeing and approving the activities to be funded. In addition, the private sector and civil society will be represented through the Uganda Private Sector Foundation and the NGO National Forum respectively. The chief executives of these institutions will form the Technical Advisory Committee (TAC) responsible for receiving, reviewing and recommending for funding the PEF proposals. The controls, checks and balances in the governance mechanism are described in detail in the PEF operations manual, which all implementing agencies will be required to comply with.

Implementation, Coordination, and Monitoring and Evaluation Strategy

The key principles that govern the implementation arrangements for the strategy outlined above are: (i) effective participation of all stakeholders; (ii) mainstreaming program implementation, so that no Project Implementation Units (PIUs) will be established; (iii) effective coordination, monitoring and evaluation. In the framework of these principles, the key features of the implementation and coordination strategy will, in brief, comprise the following:

- Mainstreamed implementation by individual ministries, departments and agencies in a decentralized and participatory framework.
- Overall policy and strategic direction and coordination by the Implementation Coordination Steering Committee of all Permanent Secretaries. This committee was established by the Cabinet within the framework of the National Integrated Monitoring and Evaluation System (NIMES). It is chaired by the Head of the Public Service and Secretary to Cabinet.
- Coordination planning, prioritization and resource allocation and implementation oversight by a newly established Public Sector Management Working Group. The membership of the Working Group includes: Permanent Secretaries/Chief Executives of central ministries and agencies (Office of the Prime Minister, Ministry of Public Service, Ministry of Finance, Planning and Economic Development; Ministry of Local Government; Local Government Finance Commission; National Planning Authority; and Public Service Commission); and representatives of development partners.

The strategy seeks to ensure results-orientation in the program implementation by installing a robust monitoring and evaluation (M&E) system. Monitoring and evaluation will be undertaken in the framework of the NIMES, at three levels. First, at the implementation level, the individual ministries and agencies will be required to clarify their monitoring and implementation arrangements before they can access program resources. At the secondary level, the Public Sector Management Working Group will require that the program management, lead by Ministry of Public Service, provides feedback of meaningful outputs and outcomes as a basis for sustained funding of the program. Finally, the NIMES will monitor and evaluate the outcomes and impact of the program, through surrogate indicators for direct or indirect impact on implementation of the programs for service delivery improvements and poverty reduction. Government is determined to ensure value for money in this and other capacity and performance enhancement programs.

Conclusion

Government is committed to the transformation of capacity and performance of its public sector institutions. As elaborated in the PEAP, the realization of this policy objective is critical to acceleration of economic growth, improved public service delivery and poverty reduction. The PEAP, furthermore, has provided the roadmap for reform and strengthening of public sector management. On this basis, in a participatory process, a strategy for comprehensive public sector capacity development and performance enhancement has been developed. The strategy has

both supply and demand side prongs, in the form of a public service reform program, as a necessary complement to the FINMAP and LGDP, and the performance enhancement facility (PEF). The UPSPEP will support the operationalization of this strategy.

On behalf of the Government and people of Uganda, I express gratitude for the continued support of the IDA in the implementation of the PEAP. The efforts of the bank staff in supporting the development of the UPSPEP project are very much appreciated.

Yours sincerely,



C.M. Kassami

PERMANENT SECRETARY/SECRETARY TO THE TREASURY

MAP SECTION

