

**PROJECT INFORMATION DOCUMENT (PID)
CONCEPT STAGE**

Report No.: AB1527

Project Name	Public Service Performance Enhancement Program (PSPEP)
Region	AFRICA
Sector	General public administration sector (100%)
Project ID	P050440
Borrower(s)	REPUBLIC OF UGANDA
Implementing Agency	
	Ministry of Public Service P..O. Box 7096 Uganda Tel: 256-41-251002 Fax: 256-41-251002 psmps@imul.com
	Ministry of Finance, Planning and Economic Development Uganda Tel: 256-41-258698 Fax: 256-41-230163 kmugambe@africaonline.co.ug
Environment Category	<input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI <input type="checkbox"/> TBD (to be determined)
Date PID Prepared	June 1, 2005
Estimated Date of Appraisal Authorization	November 22, 2005
Estimated Date of Board Approval	February 28, 2005

1. Key development issues and rationale for Bank involvement

In its Poverty Eradication Action Plan (PEAP) the Government of Uganda (GOU) identified the need to make the public service affordable, transparent and effective as one of its core priorities. The implementation of the PEAP depends largely on the performance of the public service. To perform effectively, the public service must be well managed, well paid and endowed with adequate capacity and incentives to deliver. The PEAP acknowledges the need to: improve linkages between strategic management and the budget process; provide capacity enhancement opportunities that are linked more closely to improved service delivery; provide adequate incentives that will enable GOU to attract motivate and retain qualified staff; and achieve greater efficiency and cost control.

Although substantial progress had been achieved in public service reforms in the early 1990s, in recent years reforms have stagnated, largely due to a shift in government's priorities towards the social sectors. The GOU hopes to reverse the current trend with a more inclusive approach leading to a revamped public service reform program (PSRP). Recognizing the importance of developing the institutions and systems that are needed for effective implementation of sector development programs and service delivery, the government has designed a comprehensive PSRP that spans 2005-2010. GOU adopted a more consultative process involving other government ministries, departments and agencies (MDAs) in the preparation of the PSRP with a view to broadening ownership of the reform agenda. The main issues to be addressed through

the PSRP are: the skills gap and weak management; poor performance and accountability; an inefficient and over extended organization; and unattractive incentives and work environment.

Through the PRSC dialogue, the Bank has brought key issues identified by the GOU in its PSRP to the forefront. Pay, human resources and payroll management, pension reforms and results-oriented management have been part of the policy dialogue for some time. In addition to being key areas of the PRSC dialogue, these elements have been fully integrated into the PEAP. Although there has been progress in advancing the discussion, implementation has been slow. This has been due mainly to the weakness of the Ministry of Public Service (MOPS) in garnering the support of other ministries, and to the lack of understanding that reform of the public service is not the sole responsibility of MOPS—rather, it is a core reform that needs to concern the public service at large. It is envisaged that future progress will be achieved in the context of a more holistic, programmatic approach to public service reform with more involvement of key stakeholders. This approach provides the rationale for development partners (DPs), including the Bank, to agree to support the PSRP. But performance relies on more than just financial rewards and better pay. There is consequently a need to address the overall environment within which the public service operates in order to create a better functioning public service. These issues are addressed and included in the PSRP and would be supported using the UPSPEP.

Development Partners are already supporting or have indicated they will support the implementation of the PSRP, particularly public service pay and pensions, human resources management and the development of results-oriented management (ROM)—plans and budget. The proposed Uganda Public Service Performance Enhancement Program (UPSPEP) would be the instrument financed by the Bank in support of the PSRP. At present, the United Kingdom (UK), Ireland, Denmark and Austria have already joined forces in providing interim support to the program, expecting the World Bank and others to join in due course. UK-DFID, Denmark and possibly the Netherlands will support the program over the longer term through pooled funding arrangements. Since their support is insufficient to implement a comprehensive PSRP, the Bank would join them.

UPSPEP will be designed in the spirit of the Uganda Joint Assistance Strategy (UJAS) principles, i.e., using common modalities for supporting the GOU's PEAP. The UJAS is the vehicle for donor harmonization around the PEAP priorities. It recognizes that crosscutting reforms are key to enhancing the performance of the public service and hence to the restoration of transparency and accountability in the service. Crosscutting reforms include public financial management, public service, local government and specific anticorruption measures.

The PEAP also specifies that sector support will work more programmatically through sector-wide approaches (SWAp) to translate strategies into plans and budget. The PSRP 2005-2010 has been developed to harmonize donor support through a SWAp. Government and DPs, including the Bank, have reached a common understanding that DPs, including the Bank, would subscribe to the PSRP through this approach with a pooling of funds. In addition, UPSPEP would provide a flexible instrument for capacity development in areas that would improve performance of the public service. SFIA¹ has pointed to the need to develop such innovative instruments to meet Africa's development challenges. Uganda is among the countries identified as candidates that

¹ Strategy for IDA in Africa.

could move to a capacity-development type of facility. The SFIA emphasizes the need to go beyond the creation of skills through capacity development initiatives by establishing supportive incentive structures and working conditions that can attract and retain talent. UPSPEP will be designed along these lines.

2. Proposed objective(s)

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

3. Preliminary description

Alternatives considered. The following alternatives were considered: a technical assistance loan (TAL) and an adaptable program loan (APL). The TAL is too narrowly focused to provide a harmonized approach between government and DPs for a sector-wide approach (SWAp) in support of public service reform. Furthermore, the Government of Uganda (GOU) discourages the use of project-based lending. For mature sectors, they prefer budget support through Poverty Reduction Support Credits (PRSCs). However, GOU recognizes that for the nascent dialogue around public service reforms this would not be appropriate since the sector is yet to develop. The experience of the last few years has demonstrated the difficulty of having public service reforms competing as a priority area for budget resources particularly since it is difficult to demonstrate clearly at the outset what impact public service reform can have on poverty alleviation. In addition, the TAL does not provide a flexible framework to harmonize government and DP dialogue, nor does it lend itself to longer-term institutional reforms. The APL is appropriate for longer-term institutional reforms. However, in this case, Government has yet to define a longer-term strategy and to develop a corresponding program. Therefore, we have opted for a sector investment and maintenance loan (SIL) that would support coordinated efforts among development partners providing assistance to public service reforms.

UPSPEP would have two key components with a total budget of US \$ 70,000,000. The UPSPEP would support the implementation of the PSRP through a sector-wide approach program (SWAp) and would provide a demand-driven fund for specific capacity-building initiatives that would also seek to enhance the performance of public sector institutions.

Component 1. The Public Service Reform Component – approximately \$15 million (IDA)

The GOU has developed a well thought-out strategic framework for public service reform linked to the PEAP and sector plans and focused on strengthening the capacity and improving the performance of the public sector. The total budget for the program over five years, excluding the costs of pay enhancement and pension reform, is approximately US\$40.0 million. The PSRP has the following six sub-components:

- a) *Performance and Accountability.* This sub-component will support the main strategy for improving performance and accountability in the public service over the medium to long-term through the systematic and sustained implementation of results-oriented management (ROM) as an integrated performance management system.

- b) *Human Resources Capacity.* This sub-component will support the development and institutionalization of a meritocratic system across the public service, the installation of an integrated personnel and payroll management system (IPPS), introduce a comprehensive approach to human resources management and, possibly, in the medium to long-term put in place a senior executive scheme.
- c) *Efficiency and Restructuring.* This sub-component seeks to rationalize and restructure public organizations and deploy personnel efficiently.
- d) *Work environment and Performance Enhancement.* The strategy for this sub-component will include spearheading the development of policies on crosscutting issues affecting the work environment, supporting MDAs to identify and implement measures to improve their work environment and their performance. This will include enhancing records management.
- e) *Pay and Pension Reform.* To achieve adequate compensation for personnel, this sub-component will continue the support to enhancement of public service pay and the reinstatement of pensions as a post-employment benefit.
- f) *Leadership and Management development.* This sub-component will support the Ministry of Public Service (MOPS) to acquire the skills and stature to lead and coordinate the reform program effectively. This means ensuring that both the political and technocratic leadership as well as their clients are aware, committed to and participate in the implementation of the PSRP, and MOPS has the leadership and management capacity needed to spearhead the transformation of the public service.

The UPSPEP will support the government's program in collaboration with other DPs, therefore providing funds through a basket to all elements of the government's program. The inputs will include consultant services in the form of long-term and short-term technical assistance to help develop systems (human resources) and processes (result-oriented management), hardware (records management and human resources management information systems), training for leadership and change management, etc. At present, the UK-DFID, Ireland, Denmark, Austria and possibly others appear likely to support the SWAp through this pooling of funds.

Component 2. Performance Enhancement Component – IDA US \$ 55 million:

This component will comprise a Performance Enhancement Fund (PEF) that would support public sector organizations that aim to enhance their capacity to improve their service delivery performance via a demand-driven approach. Public sector organizations would demonstrate their commitment to improving their performance by preparing requests for funding from the PEF. Access to funding would be linked clearly to a performance improvement plan and demonstration of commitment to organizational transformation. Criteria/modalities of access to the fund would be developed to ensure that the above objective is met. Some initial demand activities for this component have been identified. These include:

- a) Technical assistance for financial sector upgrading aimed at deepening the financial systems and increasing the absorptive capacity of the economy. These initiatives will contribute to diversifying economic activity, reducing dependency on agriculture and increasing the capacity of the economy to absorb donor inflows.
- b) Capacity building for improved national statistics as well as monitoring and evaluation. This will involve supporting the Uganda Bureau of Statistics to develop a plan for

national statistical development that will identify data demands (e.g., for PEAP monitoring and evaluation, financial and economic statistics and academic research), prioritize and cost them and formulate an implementation plan that pays considerable attention to addressing data gaps and human and physical capacity constraints.

- c) GOU has identified a number of procurement reforms that require TA through the recently concluded CIFA; funding assistance will be sought for them from the PEF.

4. Safeguard policies that might apply

The Project has been given an environmental category rating of B –partial assessment in collaboration with ASPEN. The team is working with the ASPEN group to adequately carry out an assessment of safeguard policies that might apply and develop responsive measures by appraisal. The following safeguard policies might be triggered:

Environmental assessment OP/BP 4.01

The Project will involve construction of a Records and Archives Centre; the construction process may have impact in terms of traffic disruption, dust, noise pollution etc. Prior to construction a site specific environmental management plan will be prepared, approved, and disclosed to the World Bank and Government prior to appraisal. Recommended actions will be included in bidding documents for the contractor to implement and NEMA to supervise.

Involuntary Resettlement OP/BP 4.12

There are persons currently living at the site identified for the Records and Archives centre and these will have to be relocated. Although eviction notices were provided by implementing agency (Ministry of Public Service), the persons didn't move. A resettlement and compensation plan for them will be developed and costed, approved and disclosed to the World Bank and Government prior to appraisal and negotiations, and will be implemented at the start of the project.

5. Tentative financing

Source:	(\$m.)
BORROWER/RECIPIENT	10
INTERNATIONAL DEVELOPMENT ASSOCIATION	40
FOREIGN SOURCES (UNIDENTIFIED)	20
Total	70

6. Contact point

Contact: Denyse E. Morin

Title: Sr Public Sector Spec.

Tel: 5355+3238

Fax: 614-0079

Email: Dmorin@worldbank.org

Location: Dar Es Salaam, Tanzania (IBRD)

