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Region	Africa Regional Office		
Sector	General public administration sector (100%)		
Theme	Other public sector governance (P)		
Project	P050440		
Borrower(s)	REPUBLIC OF UGANDA		
Implementing Agency(ies)	MINISTRY OF PUBLIC SERVICE		
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1. Country and Sector Background**2.1 Context**

Uganda, has achieved remarkable economic progress during the last decade and a half. A comparatively high level of economic growth (an average of about 6.4 percent per annum) has been sustained over the past decade, and poverty levels have been reduced by about 38 percent in the period 1992-2000. In that time, the country has also substantially restructured, strengthened and modernized its public sector institutions, and considerably improved its human skill base through education and training. However, weak public service capacity remains a major constraint to achieving satisfactory levels and quality of the essential public services that are crucial to sustaining economic growth, development and to reduce poverty. 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.

2.2 Main sector issues*2.2.1 Legacy of fragmented, supply-driven and sub-optimal capacity building interventions:*

There have been many capacity building initiatives in Uganda's public sector over the years. Virtually every donor-sponsored project or program has a capacity building element. A Bank-sponsored review (by K. Kiragu and H. Mule, 2000) of these efforts observed that most

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

The Kiragu/Mule review explained that the weaknesses in the traditional approach to capacity building are attributed to the following:

- A persistently narrow perspective;
- Predominantly supply-driven, sub-optimal interventions;
- Donors' influence and excessive reliance on technical assistance;
- Lack of attention to pay and emoluments incentives;
- Inadequate incentives for private sector and non-governmental organizations;
- Weak performance and accountability orientation;
- Insufficient application of M&E results;
- An escalating management skills gap; and
- Absence of a common strategic planning framework.

In the second half of the 1990s, however, Government commenced piloting a demand-driven, more comprehensive approach to capacity building with the support of a Bank-funded Institutional Capacity Building Project (ICBP) that closed in 2001. One of the ICBP key objectives was to establish greater local capacity (institutional 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 institutions. A comprehensive, participatory approach was used from the inception of the project, involving Government, development partners, and non-governmental stakeholders, thus fostering greater ownership of the project. ICBP promoted the use of local expertise, local demand-driven training and strengthening of local public and private training institutions. The project focused on strategies that would lead to greater benefits through the civil service reform, decentralization and privatization processes. The project supported improved local delivery of training in identified implementation skill areas in both the public and private sectors. Lessons learned from the ICBP are presented in Section 3 below.

2.2.2 Shortage of highly skilled professionals and managers: In many areas, Uganda's public service seriously lacks high calibre managers and skilled professionals, e.g., doctors, engineers, accountants, information/technology (IT) specialists, and others. Most strategic functions, including policy formulation and analysis, rely heavily on expatriate personnel and make limited use of modern management techniques and technologies. Development partner-funded programs also depend on technical assistance for their design and implementation. Furthermore, the on-going reform programs and the modernization of the economy, coupled with the impetus for change arising from developments in information technology, and globalization, have exacerbated skill shortages in some technical and professional fields. This situation does not augur well for

sustaining the pace of Uganda's development.

Many factors underlie this problem. The chaos initiated by the Amin regime created a large gap in local manpower development. It also stunted the expansion and modernization of Makerere University as well as other tertiary education institutions and professional development institutes and associations. Therefore, the local supply of qualified professionals is comparatively low. Furthermore, the public service is severely constrained to compete with the growing private sector for the few locally-available professionals, particularly since conditions in the public sector remain largely unattractive. Uganda, like the rest of Africa, is experiencing a brain drain and, as the private sector develops, competition for professional skills intensifies. The World Bank's publication, *Can Africa claim the 21st Century*, remarks that "low human capabilities undermine Africa's performance. Some 23,000 highly trained professionals emigrate each year, to be replaced by expatriate advisers funded by foreign technical assistance."

At present there are remarkably few public service managers with a comprehensive, strategic management perspective capable of addressing development and service delivery issues. There are just a few enclaves in Government, such as the Ministry of Finance, Planning and Economic Development (MOFPED), where there is rigor in analyzing policy and strategic issues and options. With the challenges and new demands that confront the management of Uganda's public sector today it is crucial that public service managers adopt a proactive, strategic and results-oriented approach in performing their roles and functions. To be more in step with the evolving global, national, socioeconomic and technological environment, Government needs to equip a cadre of senior public service managers with policy formulation, strategic planning, M&E and other managerial skills. It needs also to promote greater understanding and the installation of a performance culture at the highest levels of government.

The sector-wide approach programs (SWAPs) and the poverty reduction support credit (PRSC) process have confirmed the importance of some sector-wide capacity building interventions such as providing initial assistance to determine multi-agency sector outcomes and objectives within the context of PEAP/PRSP and the medium-term expenditure framework (MTEF). The shortfall in skills for efficient strategic policy making/management, implementation of a coherent and coordinated approach to sector development is evident. Hence, support to build capacity at that level to ensure that sector development plans (SDPs) are coherent with Government's overall development objectives is necessary in addition to improving the coordination of inputs from several stakeholders.

2.2.3 Severe capacity gaps in local governments: The ambitious decentralization program, involving devolution of service delivery roles and functions, as well as financial resources, has further exerted pressure on the limited capacities of the public sector. Skills gaps as well as organizational and systems deficiencies are gaping in the local governments including accounting and financial management, information technology and policy development and other domains related to decentralization. In addition, the inability of the local population to effectively demand accountability from the local political and administrative elites, coupled by near total absence of watchdog agencies such as NGOs, CSOs, mass media and development partners, removes one important incentive for capacity utilization and performance by public agencies at that level. The

Bank's assistance is provided through the Local Government Development Program (LGDP, Project ID P077477), which is fostering an innovative demand-driven, process-based, programmatic approach to capacity building at that level. The results are promising, and Government is promoting the approach to which development partners are responding positively. Still, building adequate capacity and ensuring performance at the local level remains enormous and will be catered through LGDP.

2.2.3 Low commitment to training and its weak management in public sector organizations: A study by consultants (Crown Agents, 1998) commissioned by MOPS to assess training in the public sector found that there was subversion of legitimate goals for training: training becomes a means of compensating for poor salaries, as a perk rather than an avenue to better performance; and foreign training could be more about visiting the foreign country than about attending a course and collecting allowances (described as 'training tourism'). This attitude does not lead to significant organizational development. As a result, training has been discredited as a management tool. According to Crown Agents, the connection between training and the provision of money to participants was largely caused by donors who, for the very best motives, started 'bribing' people to attend their courses by providing monetary allowances. In an environment where salaries are low, allowances became more important than training itself.

The supply-driven approach to training is characterized as follows :

- Unguided and indiscriminate desire for qualification that is not equated to the needs of the organization;
- Training related to individual wants, rather than organizational needs for improved performance;
- Ad hoc and haphazard provision of training;
- Untimely skills training, e.g., offered before equipment is in place;
- No correlation between type of learning and improving organizational performance;
- Scholarships accepted even when they are not in line with organizational needs;
- Lack of appropriate planning and impact assessment on the organization of the absence of staff members for long training periods;
- Formal training preferred to other more appropriate, efficient and economical work-based development techniques;
- Very little evaluation of training, particularly evaluation of impact on the organization.

Consequently, scarce funds and valuable staff time have been wasted on inappropriate training. The consultants also found that even when it was appropriate, training failed to affect organizational performance. It was often provided to individuals who were unable to change performance back in the workplace due to either supervisors' resistance to changing work practices or inefficient organizational structures. Another finding, as mentioned previously, was that there has been uneven and inadequate application of training funds and opportunities. Most of these findings relate to the lack of strategic management of human resources, formal needs' assessments and distorted incentives. It is clear that without a comprehensive human resource management strategy, including full assessment of staff development needs, many inappropriate and wasteful activities can be justified. Also, the consultants found that structural, financial and

administrative arrangements for training were either lacking or inappropriate.

2.2.5 Local training institutions are still relatively underdeveloped: Makerere University, which is the apex education and training institution in Uganda, has been undergoing in recent years an impressive transformation that could return it to being the preeminent intellectual and capacity-building institution that it once was in East Africa. However, for the foreseeable future, it will continue to lack the technology, human resources capacity, information and knowledge-base required to achieve world class standards for imparting knowledge and skills. Such limitations cascade to lower level institutions. Professional training (accountants and other professions) is also impaired by weak and capacity constrained local training institutions. Therefore, even with a demand-driven strategy to ensure relevance and cost-effectiveness, sustainable capacity building in Uganda must address the limitations of local training institutions.

The latter are not equipped to address efficiently the training needs of the public and private sectors. They lack the resources to undertake organizational and training needs assessments of potential clients. They also lack the material and human capacity to create a dynamic approach to capacity building; rather, they concentrate on marketing their training courses as opposed to attracting clients based on their needs, skill and performance deficiencies. This explains in part why there is low commitment and appreciation of training among potential training clients and suppliers.

2.2.5 Lack of appropriate incentives, especially low pay: In terms of market price for labour skills, public service pay has been particularly low for technical, professional and middle to senior public officers, who are essentially the managers of public service delivery. Low pay has demoralized and demotivated staff with critical responsibilities, but also constrained Government in recruiting and retaining highly skilled professionals and technicians in the public service. Two factors cause this situation. First, budgetary (wage bill) constraints have been too severe to allow for decent pay given the numbers on the government payroll. Second, pay adjustments for public servants have generally been guided more by egalitarian considerations and less by market comparators or the pursuit of performance. These weaknesses in the public service pay policy have now been explicitly acknowledged by GOU. The implementation of a pay strategy that rectifies this situation must be in place for CAPEP's outcomes and impact to be sustainable. In the meantime, CAPEP will support interventions to address critical skills gaps in the short-to-medium term through, inter alia, contract hire of specialists and some use of technical expertise.

2.2.6 Apparent loss of strategic focus and inertia in the implementation of the Public Service Reform Program (PSRP): PSRP is the vehicle through which GOU has sought in recent years to achieve major institutional reforms. A new phase of PSRP is about to start. Much remains to be done to have in place a work force that is well-trained, competent, motivated able efficiently to deliver high quality services. Despite past efforts, many public sector institutions remain too weak and fragile to effectively discharge their mandates. Reactive leadership and limited management skills underlie the institutions' weaknesses. Lack of appropriate incentives and work tools exacerbate the deficiencies in capacity and performance. In this regard, for example, it is proving very difficult, if not impossible, to institutionalize ROM under the PSRP.

The slow pace of implementation of the PSRP has been recognized during the preparation of PRSCs. However, the PRSC process has given a new impetus to key aspects of public service management namely the development of a pay reform policy and strategy and addressing other aspects of human resources management that will support sustainable capacity building and facilitate retention of that capacity.

2.2.7 Weak coordination of major performance improvement initiatives: There is evidence of weak or no coordination of major capacity building and performance enhancing programs in the past. For example, in recent years, MOFPED and MOPS have initiated major and related institutional reforms without due consultations and coordination, as epitomized by OOB and ROM initiatives. Integration of the two initiatives into a coherent framework for service delivery improvements, through efficient and effective resource allocation and utilization, and accountability demands that coordination and collaboration in their implementation. It is crucial for a successful implementation of a robust results-based capacity building program.

2.2.8 Prevailing attitudes and behavior are not consistent with sustainable capacity building and improved performance in service delivery: The attitudes, administrative acumen and decision-making behavior of the vast majority of public service managers are steeped in bureaucracy. Furthermore, according to the Crown Agents' assessment, the managers neither manage nor provide the expected leadership and many staff appear to have little to do: "It is as though the Public Service as a whole is half asleep". Poor salaries appear to be significant in explaining de-motivation and the fact that public servants often have to carry out other money-making activities to supplement meager salaries. Another de-motivating factor is the widespread corruption at top levels constantly reported in the media. This suggests a lack of common purpose and ethical standards. At the same time, the consultants found that there are many public servants at all levels who are highly motivated and devoted to duty. The consultants concluded in the following manner: "It has become clear that ordinary skills-based training, much as it is needed, will not deliver the improvements in performance which are so desperately required until a sufficient number of staff at all levels have been made aware of what they themselves, the Public Service and the country at large can achieve if only they would actively demonstrate their commitment to the regeneration of the nation. Without changing peoples' attitudes, it is inevitable that valuable resources spent on training and development will be wasted as the acquisition of knowledge and skills are clearly no guarantee, on their own, of significant performance improvements in the work-place. This may explain why training has in the past failed to make a significant impact on the Public Service."

2.3 Government strategy

GOU's strategy recognizes that the prerequisites for institutional changes that support sustainable capacity building include at a minimum:

- A clearly articulated and coherent development vision and strategy.
- A well understood strategy understood, accepted and owned by all stakeholders, and not just by government.

- A strategy that takes into account local institutions and organizational structures together with skilled manpower, as opportunities and constraints for achieving its goals. Institutions and organizations define the outer boundary of what can be achieved in the short- and medium-term. Traditionally, financial resources have been identified as the binding constraint.
- A comprehensive change process. This requires enlightened and committed leadership at the political and administrative levels as well as within the private sector and civil society. Within the civil service, the leadership will provide guidance, mentoring, supervision, appropriate induction and in-service training to personnel.
- Sufficient working tools, including operating budgets need to be part of this equation.
- A sound skills-development base. This means an adequate education system at all levels (primary, secondary and tertiary) including technical and vocational.
- Recognition that capacity building is a long-term process, both at the individual and institutional levels.

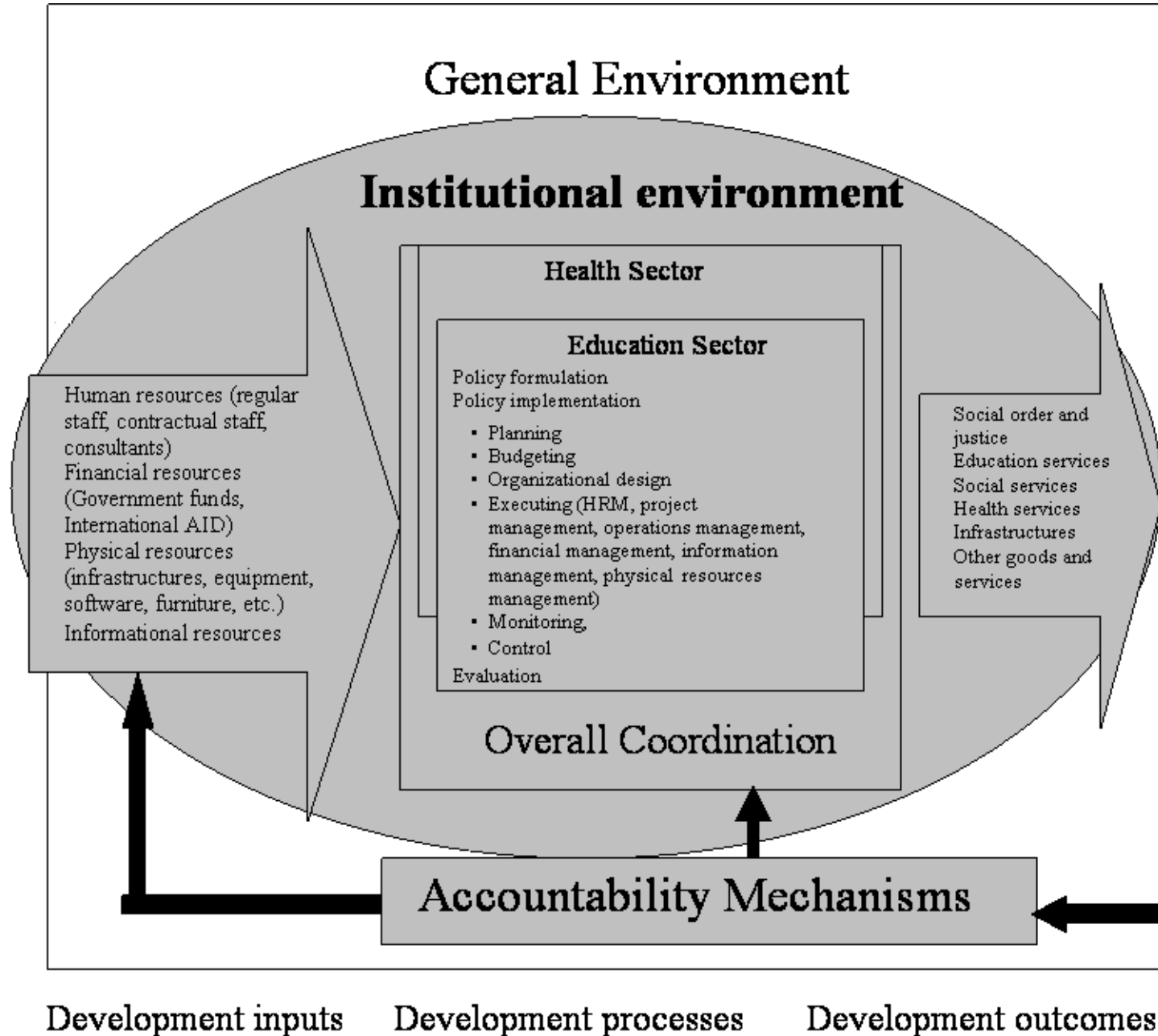
In line with these preconditions, the key features of the Government's strategy fall under the following four headings:

- A shift from the traditional approach;
- Adoption of a total systems framework;
- A change from technical assistance projects towards sector-wide approaches and budget support; and
- Reinforced linkages and complementarity of ongoing public sector reform initiatives.

2.3.1 A shift from the traditional approach: The Government's strategy for public sector capacity building and performance improvement reflects the lessons learned in Uganda and elsewhere about the limitations of the traditional (supply-driven) approach. Accordingly, the perspective that underpins the strategy implies a shift from that approach. In this regard, Government has initiated a process that should result in a more innovative approach to capacity building, as a sequel to several capacity building projects currently or recently supported by the Bank and several other development partners. The central thrust of this initiative is to ensure that the public sector has the capacity to support the realization of the PEAP goals through improved performance of the public sector institutions. This initiative initially led by MOFPED now includes active participation from MOPS. MOFPED established an inter-ministerial task group that included representatives from the public and private sectors and civil society. This group spearheaded the development of the vision, strategy and program for capacity building. This capacity and performance enhancement program responds to that initiative whose key features are described below.

2.3.2 Adoption of a total systems framework: A total systems approach to capacity building and performance improvement (*Figure 1*) recognizes the necessity for changes and interventions across and within sectors, institutions, organizations and individuals. It also embodies the crucial roles of coordination, accountability, monitoring and evaluation, and feedback, thus highlighting the inter-relations among all these sub-systems.

Figure 1: An Illustration of a Total Systems Approach to Capacity Building

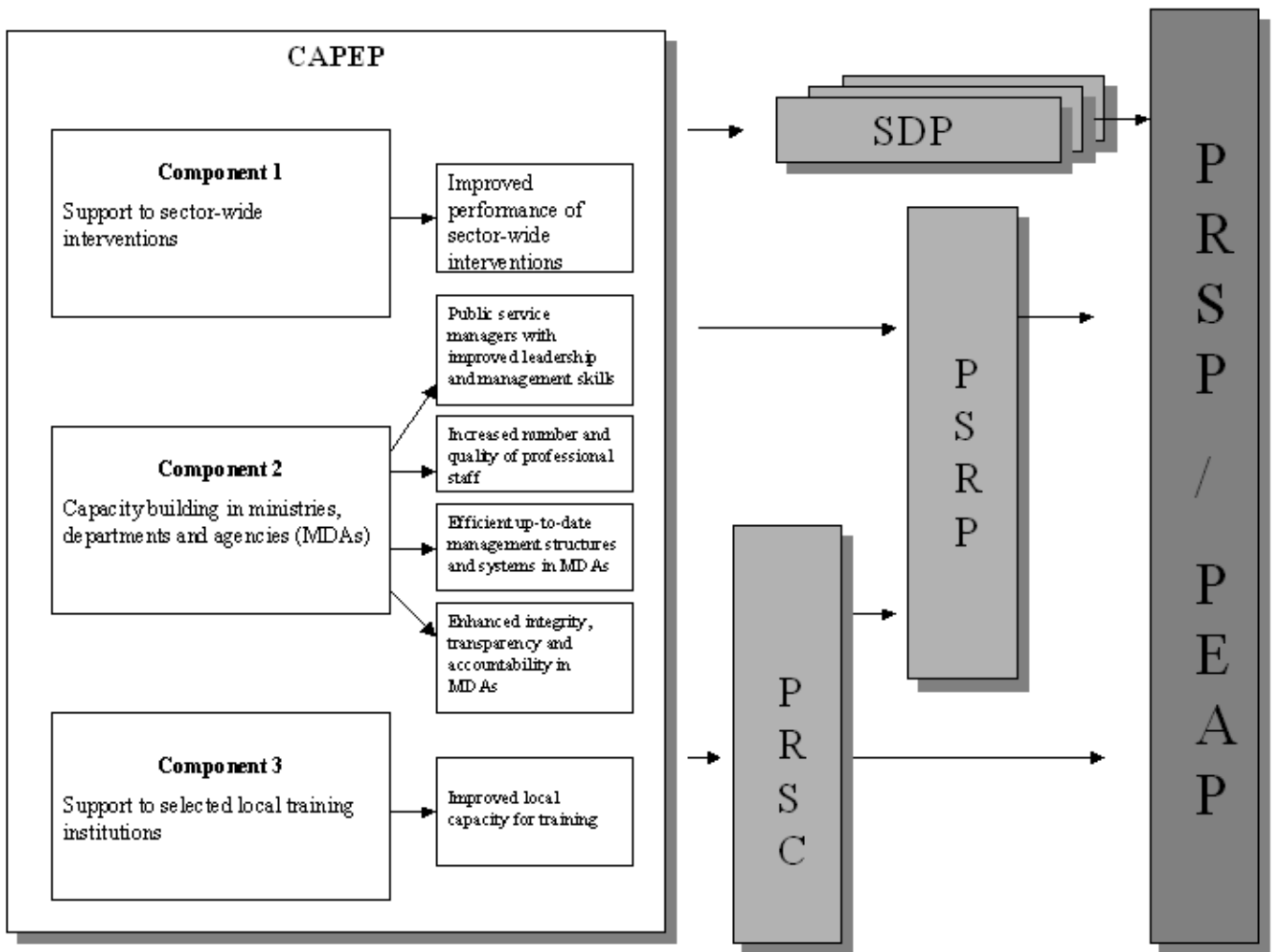


2.3.3 A shift from technical assistance projects towards sector-wide approach programs and budget support: In recent years, in the context of the PEAP and MTEF, GOU has progressively moved its development framework towards a more programmatic and sectoral approach and discouraged the project-based approach that has been the common mode for capacity building interventions. Development partners have responded well by supporting SWAPs, the Poverty Action Fund (PAF) and by shifting to budgetary support. The Bank has actively supported these developments, culminating in three PRSCs. These changes could herald the end of an era to support "project enclaves" (project implementation units). However, in the interim (short- to

medium-term), it poses the challenge of how to channel the necessary specialized technical assistance.

2.3.4 *Reinforced linkages and the complementarity of on-going public sector reform initiatives:* The Government strategy also seeks to foster and reinforce linkages and complementarity between the ongoing public sector reform initiatives, primarily the PSRP, the sector development programs (SDPs) and other reforms embedded in the PEAP and supported by the PRSCs. Furthermore, CAPEP should strengthen the implementation of this reform agenda with the linkages depicted in *Figure 2*.

Figure 2: Illustrating the Linkages between CAPEP and Ongoing Public Sector Reform Programs



GOU's public service reform program is particularly important. Through the first phase of this reform, substantial cost savings were achieved by halving civil service employment levels. The

intention was that these savings would free up resources to enhance the salaries of civil servants and increase operations and maintenance (O&M) expenditures. However, whilst some improvements have been achieved, the vast majority of civil 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 to be addressed. On this issue, PSRP and CAPEP objectives converge. Government promulgated a medium-term public service pay reform strategy in 2001. However, implementation has been uneven and slow. In the current PRSC framework, Government has undertaken to redress this situation and hasten pay enhancement for technical, professional and managerial cadres to target levels for the medium term.

Implementation of ROM in public service organizations is the core component of the PSRP. In that context, strategic plans typically have been prepared through SWAPs and Annual Performance Plans (APPs) in a number of lead ministries. Ministries have successfully developed Annual Performance Plans for 2001/02 that meet established assessment criteria, which include specific and relevant service delivery improvements and performance indicators. The ministries should now be monitoring performance against their plans quarterly and annually. ROM processes and outputs will provide appropriate modalities and criteria that will guide decisions for CAPEP support to most MDAs. Therefore, CAPEP will uniquely facilitate the implementation of ROM and render a much needed boost to the PSRP.

Effective implementation of ROM is also expected to facilitate systematic introduction of output-oriented-budgeting (OOB). OOB is a MOFPED initiative that aims to push the implementation of the MTEF to the level of improving 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 in the MDAs. On the other hand, in the absence of OOB, ROM has remained a comparatively ineffective change instrument. The imperative for integrating ROM and OOB is widely acknowledged, and has been a prominent issue in the PRSC policy dialogue over the past two years. CAPEP will leverage this ROM-OOB linkage by making it a condition for support to the capacity building plans of MDAs.

2. Objectives

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

3. Rationale for Bank's Involvement

Bank staff offers comparative knowledge and experience in both areas of public service reform and capacity building. This assistance is valuable and needs to be sustained. It is welcome by Government and donors such as DFID who are looking at the Bank to coordinate efforts in this areas. In Uganda with the advent of the first poverty reduction support credit (PRSC) a new approach to donor collaboration has been initiated. It is envisaged that CAPEP could use a similar approach to channel support for capacity building in areas that support public service reform and the poverty reduction support credits. PRSCI successfully brought together GOU and donors to take a common approach. CAPEP will endeavor to do the same.

4. Description

Strategic Overview

CAPEP's components will be designed to support a comprehensive and programmatic approach for capacity building and performance improvement of public sector institutions on a flexible basis. In every case, the overriding aim will be to help enable the sector development programs, as well as the individual public sector organizations (primarily MDAs), to meet the objectives and targets of Uganda's Poverty Eradication Action Plan (PEAP).

Capacity and Performance Enhancement Fund (CAPEF)

CAPEF is the key strategic, financing and implementation instrument for the program. It is the core program instrument. It will facilitate a demand-driven, programmatic and flexible funding approach to the program.

Funding for the sector-wide capacity and performance enhancement plans will also be accessed from CAPEF on the basis of presentation of consolidated annual work plans and budgets, which derive from detailed plans and budgets prepared by each of the sector agencies participating in the program. These funds will be released in tranches on the basis of validated confirmation of proper use of previous tranches and demonstrated progress in achieving planned performance indicators that will be linked to the PEAP/PRSP and that will lead to the development of strategic plans for performance improvement by sector agencies.

MDAs will access funds from CAPEF by presenting funding proposals backed by annual work plans and budgets for capacity and performance improvement. The activities covering each of the key results areas for each MDA will be funded under the CAPEP as a package, based on activity-specific annual work plans and budgets that will be derived directly from the MDAs' medium-term strategic plans. The latter must specify outputs and outcomes for enhancing capacity and performance improvement related to government's overall poverty reduction strategy. Each MDA's medium-term plan will be consistent with its sector development plan and the MTEF.

Details of the guidelines, evaluation criteria and technical support to enable MDAs plan and prepare sound proposals for support under CAPEF and specify the institutional arrangements for the use of CAPEF are being developed.

In the context of the above, it is envisaged that CAPEP will have four main components:

- (i) Cross-sector and sector-wide institution building;
- (ii) Support to individual public sector organizations;
- (iii) Strengthening of local training institutions; and
- (iv) Program management and monitoring and evaluation

(i) Cross-sector and sector-wide institution building component

Assistance at sector level for strategic development is the stepping stone for MDA-level strategic planning. Therefore, this particular component would support the identification of institutional issues and constraints to sector development, and provide assistance to specify strategic objectives and outcomes for sector-wide performance improvement.

Proposals to support sector-wide capacity building interventions may be spearheaded by a lead sector agency but would relate to the agreement reached with GOU for sector development under the PRSCs.

The requests would follow the broad principles underpinning the public service reform program. Eventually, a MDA would need to develop a full strategic plan for performance improvement to continue to be eligible for support under CAPEP.

(ii) Support to individual public sector organizations component

Experience shows that support for sustainable capacity building and performance improvement by the MDAs must be embedded in the management and service delivery systems and processes of these organizations. Under CAPEP, capacity building support will be designed taking into account a perspective that encompasses a "total-systems" approach. Accordingly, sustainable capacity building in the MDAs will be pursued within a results-based performance improvement framework.

From a strategic management and administrative perspective, ROM requires public service officers to produce and account for results in terms of service delivery. At the organizational level, however, the MTEF, OOB and ROM are operationalized within a sector development program and strategic plans developed by MDAs in the context of their contribution to GOU's poverty reduction goal and objectives.

CAPEP will support capacity building in MDAs within a results-based performance improvement framework in three important ways. Firstly, by fostering coordination of ongoing and planned disparate initiatives so that they dovetail into a coherent framework for improved service delivery. Hence, CAPEP will support capacity building and performance improvement only in those organizations demonstrating a commitment to achieving the objectives of their sector plans, MTEF, OOB and ROM through clear implementation plans. Secondly, CAPEP will make funds available to build the capacity needed for effective and sustained implementation of the programs,

including the provision of support for required systems and processes. Thirdly, CAPEP would fund capacity building activities for multi-MDA needs that could arise from the implementation of broad public service improvements.

The project interventions in support of capacity building and performance improvement will lead to planned specific outputs and outcomes. Support will be directed to key result areas for capacity building and performance: (i) improved strategic leadership and management skills for decision-makers; (ii) increased number and quality of professional staff; (iii) efficient and up-to-date management structures and systems; (iv) improved work environment and retooling; and (v) enhanced integrity, transparency and accountability.

(iii) Support to local training Institutions component

The limited interventions under the project are geared to ensuring that there is local capacity to provide critical skills that would otherwise be too expensive, uneconomical and unsustainable to source from outside the country in the longer term. There are areas in which the Uganda public service already has or is projected to have a serious shortfall in professional and technical skills, and for which local training institutions do not have the necessary minimal capacity to produce these skills.

It will be cost-effective and sustainable that local training institutions develop the capacity to supply training to current and future public service managers and professionals in areas of needs in the medium to long term (5-10 years).

(iv) Program management, monitoring and evaluation

Although it is envisaged that the project will be mainstreamed in MOPS, it is clear that the Ministry initially will not have the resources (technical support and equipment) necessary to put in place the systems to enable the staff to provide timely response to MDAs and to report on CAPEP's progress towards achieving its objectives. MOPS will have to monitor inputs and outputs and report periodically to government and development partners. It is also envisaged that MOPS should develop the capacity to monitor outcomes and impact of this comprehensive capacity and performance enhancement program. This component would also provide for information, education and communication activities to ensure that CAPEP is well known and understood, and that the funds are properly utilized. In addition to putting in place a robust M&E system, skills will need to be built in MOPS to play effectively its role.

Support to cross-sectors and sector-wide institution building

Support to individual public sector organizations

Support to local training institutions

Program management and M&E

5. Financing

Source (Total (US\$m))

BORROWER (\$10.00)

IDA (\$70.00)

FOREIGN SOURCES (UNIDENTIFIED) (\$20.00)

Total Project Cost: \$100.00

6. Implementation

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

- A total systems approach will be adopted. In this respect, the program will support the chain of capacity building and performance enhancement cycle, including inputs into the processes, change processes, incentives, M&E, and sharing information and knowledge emanating from the processes as a basis for performance improvements;
- Support will be demand-driven. Funding from the program will be linked to demonstration of the readiness of a public sector organization to improve its performance. Thus, CAPEP will provide an incentive for organizations to transform themselves;
- The support would be provided through a flexible instrument that could provide an avenue for development partners to pool their resources for capacity building initiatives and in support of public sector reforms. By establishing a common basket fund and disbursement mechanism, transactions and efforts to account and coordinate will be minimized for both GOU and development partners, and will facilitate the dialogue around broad issues related to capacity building in the public sector;
- CAPEP as an instrument will be able to support the broad sets of reforms envisaged under PRSCs. CAPEP will provide the means to bridge the capacity gaps related to the implementation of GOU's reform agenda.
- Meritocracy, transparency and accountability in the selection of program beneficiaries. In other words, the selection of program beneficiaries will be based on objective evaluation criteria known to all potential and eligible beneficiaries, and will be administered by an agency (technical advisory board) that is perceived to be transparent, impartial and objective in its decision-making.

Figure 3 below illustrates the overall institutional framework for the implementation of CAPEP. The key features of this framework include:

(a) The PSRP Steering Committee that will oversee project implementation. It is proposed to peg major decisions and oversight for CAPEP implementation at such high level for the following two main reasons: (i) through CAPEP, there will be disbursement of substantial resources to MDAs on a selective but merit basis. It is not considered appropriate that any individual MDA or group of MDAs should have the discretion of these decisions without reference to the Head of the Public Service (HOPS); and (ii) CAPEP will also possibly support public institutions outside the mainstream public service such as training institutions, Uganda Revenue Authority, the National Environmental Management Authority, Uganda Investment Authority, and others.

(b) An inter-agency technical advisory board (TAB) will evaluate applications for funding from beneficiary organizations. This Board will ensure transparency, meritocracy and fairness in the evaluation of MDAs' applications for award of CAPEP funds. Evaluation criteria and procedures to be followed by the TAB will be specified in the program implementation manual. The Board

will have seven members. Its membership will include a nominee from private sector (possibly nominated by the Private Sector Foundation), academia (possibly Makerere Business School), and a representative from civil society. The other four members will be appointed by the HOPS/Secretary to Cabinet, and will include the PS of MOPS. The chairperson of the Board, who will be appointed by the HOPS will be a non-civil servant member of the Board. Neither the Chairperson nor any other member will be a full time employee of either the Board or the GOU.

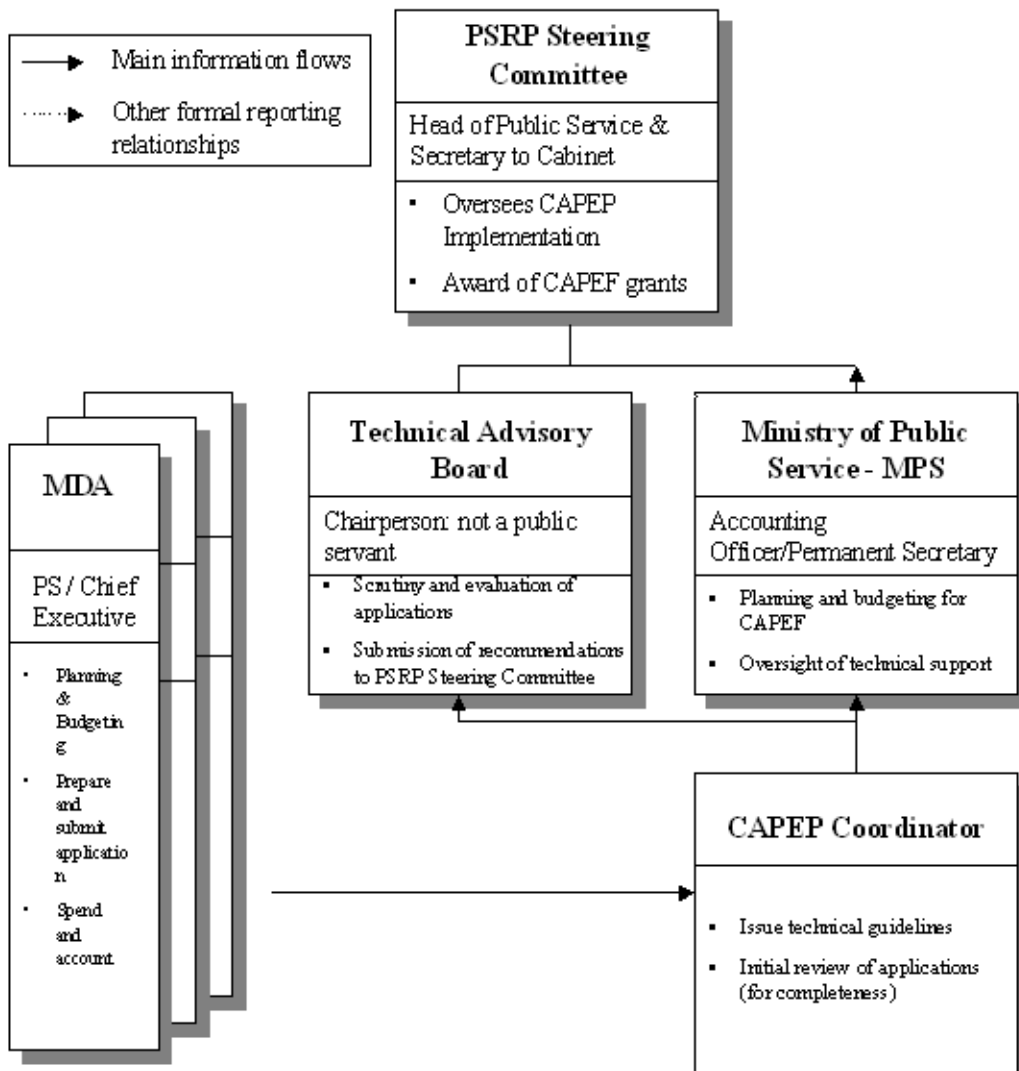
(c) MOPS will technically support and facilitate the work of the TAB. The technical functions of MOPS staff in the implementation of the CAPEP will be performed in the mainstream of the existing structures and operations of the ministry. There will be no enclave PIU. Instead, the tasks to be performed by ministry staff will be distributed among the directorates, departments and units of the ministry. Thus, for example, the finance, accounting and procurement functions will be placed in Department of Administration. On the other hand, the verification of the completeness and quality of proposals from MDAs may be done through a task team of officers from the technical directorates of the ministry. The same is true for the tasks of training or mentoring MDAs on the use of the project funds. In any case, the Permanent Secretary will be directly accountable for the use of the project funds as well as the overall technical coordination of project implementation. Furthermore, the Permanent Secretary or a senior officer working under his/her direction will be designated as the CAPEP Implementation Coordinator. In the latter context, moreover, MOPS has undertaken an assessment of its organization structure and capacity with a view to restructuring, if necessary, and to plan for rapid development of its capacity for effective coordination of the project implementation before Bank credit effectiveness. What is more important, the Ministry recognizes the importance of having in place the capacity to handle the issues beyond CAPEP on a sustainable basis.

(d) The PS, MOPS will be the accounting officer for the Fund. When CAPEP will be mainstreamed in the MTEF, possibly in the second year of project implementation, there will be a one budget line item for CAPEP which will fall under MOPS vote. On the basis of annual estimated disbursements, MOPS will make a submission to the sector working group for a ceiling of funds to be drawn against the project. MOPS will requisition for the funds on behalf of all beneficiaries who will then receive expenditure warrants or cheques from the Paymaster General.

(e) CAPEF account will be established at the Bank of Uganda (BOU). A deposit account for donors' contribution to the CAPEF be established at BOU. In the interim, pending the mainstreaming of the project into the MTEF and the exchequer budgeting and disbursement system, project funds will be disbursed from this account into special account on the basis of the MDAs' applications approved by the PSRP Steering Committee. Funds will be disbursed from the special account in accordance with the schedule of payments against the approved proposals. This schedule will be prepared by the MOPS and approved by the TAB. MOPS will make the payments and undertake the accounting for the same. A detailed financial management and accounting manual to guide MOPS will be prepared before credit effectiveness.

Figure 3

CAPEP: An Overview of the Proposed Institutional Framework



Implementation processes

The key features of CAPEP implementation processes, within the institutional framework outlined above are illustrated in *Figure 4*. In summary, these features will include the following procedures and controls:

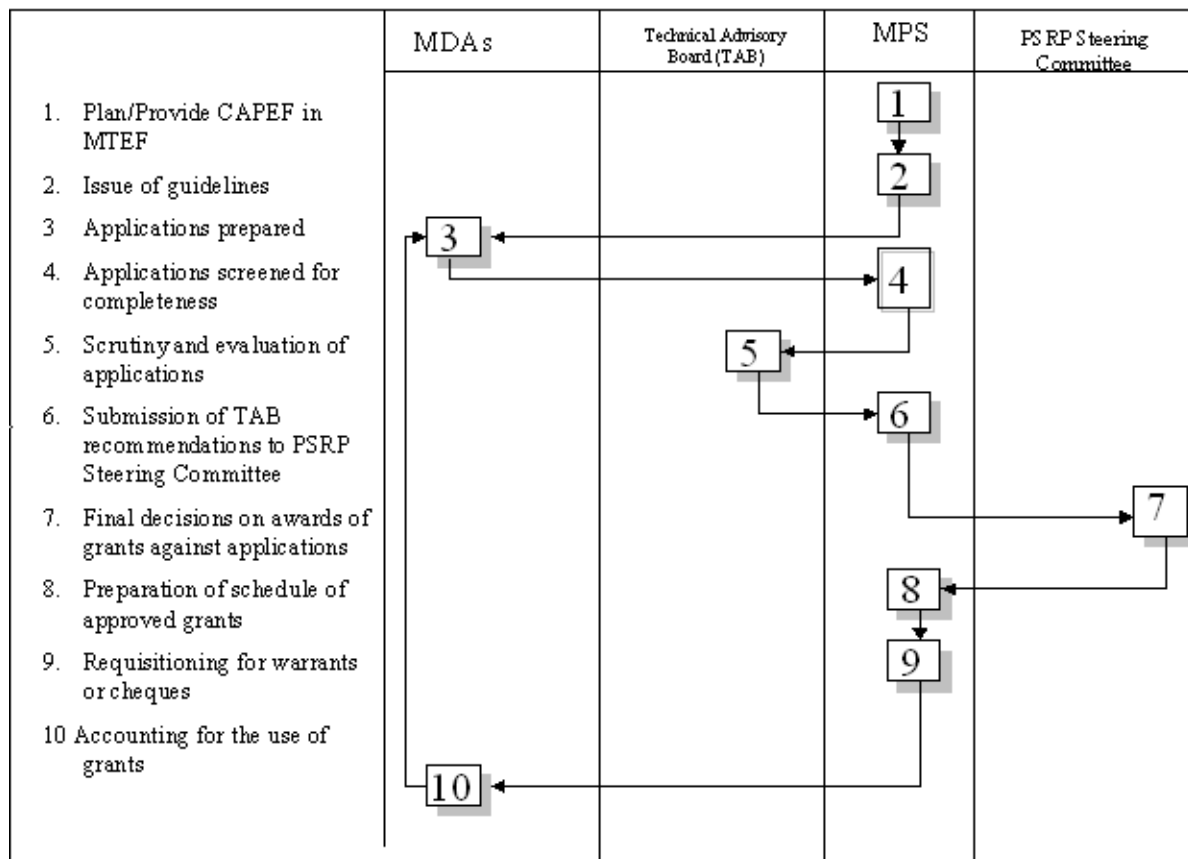
- CAPEP disbursements as projected by MOPS will be provided for in the MTEF but this may not be the case in the initial year of project implementation.
- Beneficiary organizations will submit proposals in accordance with set guidelines.
- MDAs' applications for CAPEP funds will be supported by detailed output-based strategic plans, annual work plans and budgets.
- MOPS will receive and review applications for completeness, according to set guidelines and

procedures.

- TAB members will scrutinize and evaluate applications in a transparent process according to specified criteria and procedures.
- TAB will submit recommendations to the PSRP Steering Committee.
- PSRP Steering Committee will award CAPEP grants according to set policy guidelines.
- MOPS will compile a schedule of approved applications, inform beneficiaries, prepare disbursement schedules and make payments.
- Guidelines for the tasks to be performed by various implementing agencies will be described in a manual.
- The PS/MOPS will issue exchequer warrants (authority to incur expenditure) or cheques to the beneficiary MDAs in accordance with disbursement schedules approved by the TAB.
- The PS/MOPS will ensure appropriate accountability and a timely annual audit of CAPEP funds.

Figure 4

CAPEP: An illustration of key implementation processes



7. Sustainability

The following factors will be critical for the sustainability of the program's benefit: (i) The government's continued commitment to maintain its macroeconomic performance and to advance the agenda of public service reform; (ii) A comprehensive new phase of public service reform program that addresses issues of low pay for public servants, particularly managerial and professional staff, linkages pay-performance, meritocratic and transparent principles for hiring and firing staff, and more broadly a whole range of human resources management improvements; and (iii) The commitment of the public service to adopt new ways of working and to be genuinely engaged in changing their ways of doing business such as considering capacity building interventions in terms of improving the capacity of the service rather than short-term individual benefits.

Sustainability will also depend on how vigorously MOPS will lead the transformation of the public service and its capacity to ensure that capacity building interventions result in improved performance of the service.

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

The project design, even at this concept stage, reflects lessons learned from both Uganda and outside. With regard to local lessons of experience, the Training Fund Component of the Bank funded and just completed Institutional Capacity Building Project (ICBP) is of particular interest. It tested the demand-driven approach to training, the use of non-conventional training methods and 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, improved interpersonal relations, etc.) leading to better and more committed staff, also had beneficial results at the organizational level.

Other local lessons considered to be particularly pertinent include:

- (a) One of the big pitfalls of past technical assistance is that it tended to characterize problems as technical in nature, and therefore amenable to technical solutions whilst ignoring the role of incentives. Where ownership or demand was high and the incentives structure also supported sustainability, technical assistance worked. However, in cases where incentives were weak or perverse, even if there were real technical needs, a lot of supply-driven resources were poured into projects that did not work.
- (b) A good initial assessment has to take place to tailor support to local institutional arrangements if capacity is to be built and sustained.
- (c) Performance improvement at the organizational and institutional levels has been impeded by the fact that developed capacity has seldom been used appropriately.

Lessons learnt from outside that are reflected in the CAPEP design include the following:

1. The Bank's experience suggests that a project-based approach to capacity building initiatives is: inflexible and does not encourage sustainability; too narrow and lends itself to poor coordination; often donor-driven and creates enclaves that drain the public service of its best resources, and devoid of ownership.
2. In "Getting Good Government-Capacity Building in the Public Sectors of Developing Countries" (Grindle, M. HIID, 1997), it is argued that although there has been extensive debate in recent decades over which approach brings the biggest impact, what mix of training is appropriate in given circumstances and what one can do with limited resources, the best option for promising professionals is advanced education in high-quality academic institutions (p. 97), "saturation training" is a possible avenue. A comprehensive system to reintegrate officials is necessary under that approach (saturation training): placing them in positions that most closely match their newly gained skills and timing their return so that they could use their skills fully. Thus the need for close collaboration between the entity that sends the official on training and the HR counterparts.
3. It takes decades to assess the impact of a capacity building program, such as the CAPEP. However, there is a basis for anticipating that enhanced capacity and performance improvements will translate to improved service delivery and poverty reduction. It is in this context that the program design will emphasize a proper monitoring and evaluation system to start tracking the outputs and outcomes.
5. The most pervasive constraint to increasing civil service productivity and motivating increase effectiveness remains that of low salaries. Therefore a program such as CAPEP has to be implemented along side a comprehensive public service reform program where pay reform takes a high profile. This is already underway and has been recognized during the CG meeting by the President as one of the stumbling blocks. However, it should be recognized that motivation does not rely entirely on financial reward. There are other non-monetary incentives such as work satisfaction, involvement and others that can be important for professional public servants that also need to be taken into account.
6. Process reform requires rethinking organizational relationships and rationalizing them where possible. This can be achieved without changing the basic organization. The key to building

capacity in public bureaucracies in Africa is to build networks within and between hierarchies and not to build hierarchies (Peterson in Grindle, p. 171). This will be reflected in the design of CAPEP around a more comprehensive process-based approach.

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

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

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

9. Environment Aspects (including any public consultation)

Issues : not applicable

10. List of factual technical documents:

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

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