

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

Report No.: AB558

Project Name	Uganda Public Service Performance Enhancement Program
Region	AFRICA
Sector	General public administration sector (100%)
Project ID	P050440
Borrower(s)	REPUBLIC OF UGANDA
Implementing Agency	
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1. Country and Sector Background

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, for example, an average of 2.2 percent for Sub-Sahara Africa countries. Average GDP growth for the past five years is estimated at a comparatively high 5.5 per cent. 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 significantly affected 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 65 percent in urban areas; and HIV prevalence (as per cent of adult population) has dropped from about 20 per cent to 6.2 percent.

The Government of Uganda (GOU)'s strategy for economic growth and poverty reduction is set out under five 'pillars' or components in its Poverty Eradication Action Plan (PEAP): (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 Government to consolidating the gains of the past decade in fiscal and macroeconomic stability and to

improving the efficiency with which resources are used. In this regard, 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 high priority to the actions identified in the PEAP; and (iii) reduce the proliferation of uncoordinated initiatives.

Uganda has made steady progress towards achieving the Millennium Development Goals (MDGs), especially in the human development and poverty reduction areas. However, the PEAP identifies weak public sector management as one of the key constraints to economic development and poverty reduction. In particular, it highlights major 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; 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 severe capacity shortcomings that include: 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 sustainability of development outcomes, especially those under the various sector development programs 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 exacerbate the capacity constraints of the public sector.

Government has adopted a comprehensive strategy to address the issues and challenges in public sector management. The three major planks of the strategy are: (i) a Public Financial Management Reform Program (PFMRP), which the Bank has been supporting 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 (LGDP I, Credit No.3295 UG and LGDP II, Credit No. 37730 UG), and 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, there has been satisfactory progress with the PFMRP and the LGDP programs, but not with the PSRP.

Two phases of the PSRP have been completed over the past one and a half decades. Through the first phase, the role of Government was redefined, its size was substantially reduced in terms of both scope of functions and numbers, devolution to local governments commenced, and improvements to the incentive framework, especially pay, were successfully initiated. The second phase, in the late 1990s, instigated a Results-Oriented Management (ROM) approach. Under the ROM initiative, which remains the core component of the PSRP, Government ministries, departments and agencies (MDAs) are required to plan, implement, monitor and evaluate performance on quarterly and annual bases. However, low capacities and a weak incentive system in MDAs, especially low pay and shortfalls in disbursements against budgets, have severely constrained progress in institutionalizing ROM. Under these circumstances, the PSRP implementation has slowed considerably within this context and, in some important ways, completely stalled in the past five years.

The lack of strategic focus and clear linkages to sector development programs (SDPs) which aim at delivering social services appear to have engendered weak commitment and support for the PSRP by both political and technical leaders and managers across Government. Consequently both Government and development partners (DPs) have been reluctant to support adequately the program for the past several years. Notwithstanding, GOU recognizes that the program is crucial to the sustainable transformation and strengthening of public sector institutions. In that context, GOU decided to take the necessary steps to revamp the PSRP strategy to address the previous weaknesses.

In tandem, Government has recognized that there is a need to address capacity and performance issues in the public sector as a whole, particularly in areas captured in the PEAP results-matrix and 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 provide support to the implementation of the PSRP as well as these other capacity development and performance enhancement interventions.

2. Objectives

The PEAP is explicit that “making government structures affordable, transparent and efficient” is a core, high priority strategic objective. The pursuit of this objective is well articulated through the various components of the UPSPEP. The PEAP also points out several other objectives, especially in the economic management pillar, where enhanced capacity and performance of public sector institutions is 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.

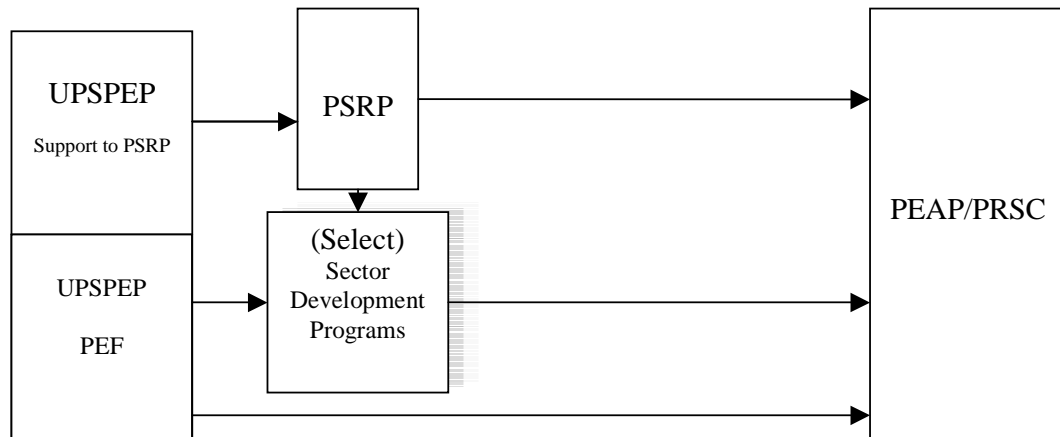
The program will support: (i) the transformation of the public service so that it is affordable, efficient and accountable in use of public resources and service delivery; and (ii) improvements in the policy, institutional and regulatory environment for sustainable growth and service delivery.

3. Rationale for Bank Involvement

Over the years, the World Bank has supported Uganda’s PEAP implementation through the Poverty Reduction Support Credits (PRSCs) and sector investment credits. During each of these PRSC interventions, the need for a complementary public sector capacity building and performance enhancement program has been flagged. Comprehensive public service reform is also cited in the Uganda Joint Assistance Strategy (UJAS) as one of the four key planks in the development partners’ support to strengthening governance institutions, which is critical to improving efficiency, effectiveness and accountability in the use of public resources, and thereby public service delivery and poverty reduction.

Effective implementation of UPSPEP will impact on the pace and quality of achievement of PEAP goals through the program’s direct support to implementation of the PSRP, and to address institutional and capacity issues in sector development programs and the

PRSCs. The links of the UPSPEP to the PEAP, through the PSRP, the sector development programs and the PRSCs are illustrated below.



UPSPEP closes a gap in capacity building interventions that has been prominent in successive PRSCs processes in Uganda. The implementation of many benchmark actions in the PRSCs was delayed or ineffective because funds and technical capacity were not readily available. In this regard, the need to have in place a complementary capacity building instrument to the PRSC policy dialogue was strongly felt by both Government and Bank staff over the past several years. The need for such an instrument was also evident within some sectors following the shift from project modalities.

Furthermore, as reflected in the 2005 Bank Africa Action Plan (AAP), “the combination of PRSCs with parallel capacity-development operations assists 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 with public service reform, particularly reform of human resources management, and pay and incentive systems. Moreover, the report of Bank’s 2005 task force on capacity building in Africa, “Building Effective States – Forging Engaged Societies”, comes out strongly in favor of strategically comprehensive approaches to capacity building. The proposed UPSPEP is an appropriate instrument for operationalizing Bank and other development partners support to comprehensive public service reform and complementary public sector capacity development initiatives.

Other development partners look to Bank leadership in the area of public sector management reforms and capacity building. The Bank’s international experience, global perspective in the areas of capacity building and, more specifically, its technical expertise in public service reform is regarded by government and development partners as key to ensuring the quality of policies, strategies and results in these areas. For these reasons, bilateral development donors would be discouraged to engage in supporting the PSRP and any major capacity building initiatives without active participation of the Bank.

4. Description

UPSPEP comprises two components with a total IDA budget of US \$ 70,000,000. It 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 fund (PEF). Access to funding will be clearly linked to a performance improvement plan and demonstration of commitment to organizational transformation.

Component 1 - Public Service Reform Program (PSRP) Component – Total cost US\$35.0 million (\$15 million from IDA)

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

GOU and stakeholders have in a participatory process already defined the components of the PSRP. The total budget for the PSRP over five years is US\$35.0 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. In particular, firstly, UPSPEP will support the PSRP in collaboration with other development partners (DPs) through a sector-wide approach (SWAp) and pooled (basket) funding. Secondly, the implementation and monitoring and evaluation are mainstreamed in the operating structures of the MOPS and other concerned MDAs.

The various components of the PSRP that will be supported under component 1 of UPSPEP are elaborated below under each of the three strategic objectives.

Strategic Objective 1 – Enhanced management capacity, performance and accountability

In pursuit of this objective, the PSRP will address issues 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 Results Oriented Management (ROM); (ii) introduction of measures that enhance public and other stakeholders demand for accountability by public service organizations and individual officers, especially through use of client service charters and service beneficiary surveys; (iii) implementation of an integrated personnel and payroll system (IPPS) to facilitate efficient and effective management of human resources; (iv) creating a more enabling and empowering work environment; and (v) pay and pensions reforms to enhance public service capacity to recruit and retain a critical mass of technical and professional personnel. Enhanced 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 institutions. The main thrust for improving performance is the systematic implementation of result-oriented management (ROM) as an integrated performance management system in the medium to long-term. The sub-component aims to:

Cultivate commitment and support of the top level political and technical leadership. This will involve 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 local governments to drive the implementation of ROM in their respective organizations. This initiative will support both MDAs and local governments 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 MOFPED is particularly important in this regard and, fortunately, this need is widely acknowledged by the key government institutions. MOPS' ROM directorate will participate in the Public Expenditure Management Committee charged with ensuring the realization of this integration.

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. Specifically, the system will provide for organizational performance targets to be cascaded down to the level of individuals. Furthermore, it will encompass an overhauled staff appraisal system that facilitates the modification of behavior by formally specifying criteria on which individuals will be judged; thus allowing MDAs to objectively and effectively reward performance, direct training; thence enabling the PSC to decide 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.

Strengthen the demand for performance and accountability. This will be achieved by facilitating citizens' access to information on resource allocation, service delivery standards and 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 (JARD), this proposed level of interaction with clients will need to be extended to local governments. It will also require public institutions to enhance their public relations/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 and innovations focusing on simplifying or re-engineering administrative systems, procedures and processes; and alternative forms of service delivery (e.g., private sector participation,

outsourcing, one-stop centers 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 \$ 7million)

This sub-component aims to ensure that public service is staffed with an adequate number of skilled and motivated professional, technical and managerial personnel. Therefore, it promotes and supports the development and institutionalization of a meritocratic system across the public service; it installs an integrated personnel and payroll management system (IPPS) closely linked to the Integrated Financial Management System (IFMIS); it introduces a comprehensive approach to human resources development; and, in the medium to long-term, seeks to introduce a senior executive scheme.

Promoting and sustaining meritocracy across the public service. This will entail strengthening the capacity of the Public Service, Sector and District Commissions to enable them uphold the principles of recruitment and promotion by merit through, for example, the issue 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 implementation and coordination of initiatives at 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 include affording them with access to mentoring and to support networks as well as the inculcation of assertiveness skills

Installing an Integrated Personnel and Payroll System (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.

Introducing 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 who have the requisite qualifications by (i) introducing succession planning; (ii) building HR planning capacity; (iii) conducting periodic audits on skill levels; and (iv) undertaking a comprehensive review of schemes of service.

Introducing fast-track promotions and 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) An enabling and empowering work environment (PSRP Component 4 - US \$ 22.8 million)

Through this component a more enabling and empowering work environment will be created. The strategic initiatives for this sub-component will include:

Development of policies on crosscutting issues to enhance work environment. The policy priorities for which MOPS will provide leadership and contribute to evolve around HIV and AIDS; Gender; and ICT.

Demand driven improvements to the work environment. The need for improvements to the work environment in MDAs can generally be identified. There is an outcry in almost every MDA to remove operational constraints, modernize processes/practices and re-tool to enhance organizational performance. MOPS will support MDAs to make informed choices in identifying and implementing measures to improve their work environment and their performance such as removing operational constraints, modernizing processes/practices and retooling. These include for example the provision of e-mail access, MDA information and service portals; information systems; office equipment and tools; management tools; enhanced management skills. This initiative is supported through UPSPEP component 2 since the Bank wants to support public service organizations more broadly. This will be done by having agreed criteria and modalities to provide for monitoring of results in place.

Improving records management and registries. The PSRP will finance the establishment of a new records centre as the existing one is no longer big enough. 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, the PSRP will offer training courses for 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 reinstatement of pensions as a post-employment benefit. 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 other sub-components addressing the same outcome. The implementation strategy for sustained pay enhancement is predicated on entails 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. In addition, further work on pension reform will be undertaken under this sub-component with a view to reinstating pension as a post-employment benefit. Activities will include:

- Development of a pay policy;
- Conducting job evaluations for the public service;
- Monitoring the progress and impact of pay reform;

- Development and implementation of a framework for recruitment and retention of staff in hard-to-reach areas;
- Review and revision of pension legislation and its administrative framework;
- Verification and validation of pensions arrears; and
- Design a strategy for the new pay scheme and the funding of current 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 structures to enhance efficiency and affordability of Government. Cognizant of improvements in efficiency of these structures during the first two phases of the PSRP, it stipulates that new initiatives are needed to sustain improvements in the efficiency of GOU. There is a need regularly to review the organization of government, the operations of its entities and its establishment in order to minimize duplication of functions, redundancies and other forms of wastage. Thus this sub-component will:

Review the overall allocation of roles and functions. This will entail examining the roles and functions of public service institutions' mandates and missions to: identify those that constrain public service/local government managers from effectively performing their responsibilities; specify gaps, and eliminate those that overlap or are duplicated in other institutions. The review will also address two areas specified in the PEAP: the number and mandates of ministries and ministers; and 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 a local government level.

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 as a basis for 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: (a) ensuring that both the political and technocratic leadership in government are aware, committed to, and participate in the implementation of the PSRP; (b) ascertaining that the technocratic leadership can more effectively anticipate change and contribute to shaping new policies; and (c) making certain that

MOPS has the leadership and management capacity needed to spearhead the transformation of Uganda's public service.

Awareness and sensitization measures to reinforce and sustain political and stakeholder support for the program. Under this component, the PSRP will undertake secure the political ownership required to obtain the desired results. It is essential that the senior political and technical management are aware of and buy into the objectives and desired outcomes of the PSRP. In addition, they will review and endorse a Cabinet Memorandum on the revamped PSRP prepared by MOPS. 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 forums in which progress is communicated.

At another level, this strategy will foster a more proactive approach to the dissemination of information about the program to internal and external stakeholders as well as clients. The dissemination campaign 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. The specific interventions and their desired impact will be articulated in the Information, Communications and Education (IEC) plan to be developed during implementation of the PSRP. The IEC plan will take into account, for instance, the most appropriate media to disseminate messages to the various stakeholders. It will also provide for mechanisms to solicit feedback on its impact

Strengthen the government's policy making capacity. It is important to assess: the policy functions that exist in MDAs, how they are organized to discharge these functions; and the level of current capacity, e.g., for research, environmental scanning, strategic thinking, forecasting, scenario modeling, generating and thereafter assessing options - policy analysis, policy advice, etc.). This will inform the development of capacity building options/interventions which ensure that top-class intellectual rigor is acquired and sustained for the development and analysis of policy options leading to more effective decision-making. Interventions to strengthen policy management may include for example: the introduction of a targeted recruitment program; offering policy analysts the opportunities 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 on performance and priorities through institutionalized engagement.

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

- The Ministry and the Administrative Reform Secretariat (ARS) will be restructured by GOU so as to be better aligned with the objectives of the PSRP and the desired 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
- A change management strategy will be developed. The PSRP will handle complex variables relating to the participation of a significant number of institutions 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 imparting the skills required to tackle current critical issues. Over time the program will assess and deal with emerging challenges and impart the skills necessary to managers and staff in the public service.

Component 2 - Public Sector Performance Enhancement Fund (PEF) Component – IDA US \$ 55 million

The PEAP identified the need for Uganda to undertake comprehensive reforms of the public service to achieve its poverty reduction objectives. These are reflected in the PEAP/PRSC matrix. Their actual implementation is dependent inter alia on there being an adequate supply of individual, organizational and institutional capacities and skills. The GOU knows of the many shortfalls in these areas despite the fact that some areas of public service delivery are already supported by sector development programs as well as specific projects and programs.

In the latter context, the PEF component of the UPSPEP supports public sector reforms beyond what is covered in the PSRP (component 1) to the extent that such reforms are anticipated or emerge in the course of implementation of the PEAP/PRSC capacity development priorities. Such capacity gaps may be already identified by MDAs but not specifically targeted under the PSRP. Therefore, through the PEF component, UPSPEP will on a flexible, demand-driven and results-oriented basis ensure the comprehensiveness of public sector capacity development in Uganda.

5. Financing

See partnership arrangements below.

Source:	(\$m.)
BORROWER/RECIPIENT	0
INTERNATIONAL DEVELOPMENT ASSOCIATION	70
OTHERS	16
Total	86

6. Implementation

Partnership arrangements (if applicable)

The GoU through the partnership principles (PP) agreed to in 2003, sets out the guidelines that effectively link donor 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 design takes cognizance of one of the GoU preferred modality of support from development partners which is further

endorsed through the UJAS i.e. sector budget support. The GoU through the partnership principles highlights the requirements for sector budget support, as being (i) a SDP and (ii) agreement between 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 and the first SDP of which the PSRP forms a core element is being developed. 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 donor group that will continuously dialogue around the issues of the PSRP and provide input 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 capacity development activities through an interim pooling arrangement. The partners involved include UK-DFID, Irish Aid, Denmark, and Austria. For the implementation of the PSRP, UK-DFID has provided a total of US \$ 10.5 million, Denmark approximately US \$ 6.0 million and Irish Aid, approximately US \$ 110,000 to continue the pooled funding arrangements to support the PSRP. IDA through UPSPEP will provide US \$ 15 million to support the PSRP through this process.

Further more UPSPEP will under component 2 - the PEF will provide US \$ 55 million to support to performance enhancement initiatives on a demand driven basis, that have been identified as priorities in the PEAP. The African Development Bank (AfDB) has indicated its interest to join the Bank to support component 2, Performance Enhancement Facility at a later stage. This would be examined during one of the supervision missions.

Institutional and implementation arrangements

The Bank's UPSPEP will support the implementation of the GOU SWAp for public service reforms. Effective leadership, management and coordination are critical to the successful implementation of the PSRP. While a participatory approach will be emphasized, clarity of leadership and management responsibilities must be defined and seen to be exercised from the outset. This is particularly so because many largely autonomous institutions will be involved in the implementation of the PSRP. They will need to be both led and coordinated. The key principles that govern the implementation arrangements include: (a) effective participation of all stakeholders; (b) mainstreaming program management in the MOPS' structure; (c) fostering links with other reforms; and (d) government leadership in the coordination of DPs' support.

The key features of the implementation arrangements consist of:

- Coordination through implementation coordination and PSRP Steering Committees.
- Coordination through Public Service Management Working Group.
- Technical leadership, coordination and management by MOPS.
- Management of the PSRP basket by the Accountant General.

- Implementation of PSRP by MDAs.

At present it is clear that MOPS does not have the adequate capacity to assume the technical leadership, coordination, management responsibilities for the program. The capacity for financial management and procurement will be assessed before the appraisal mission (an initial visit to MOPS confirmed the need to strengthen the financial management and public procurement capacity of the ministry). In the meantime, the PPF has been utilized to develop capacity in these two areas. The interim, pooled fund for the PSRP is also being used to improve the skills of the officers who will be responsible for implementation. An institutional assessment of MOPS identifies specific areas for improvement and this will be done by providing skills training or in certain areas by providing technical assistance and consultant services while the situation improves.

In addition to the overall implementation arrangements that will govern the PSRP and that UPSPEP is endorsing, it is necessary to provide for subsidiary arrangements for the management and implementation of the Performance Enhancement Component and more specifically the Fund (PEF). PEF is designed to support a comprehensive and programmatic approach for performance enhancement of public sector institutions on a flexible basis. In every case, the overriding aim is to help public sector organizations (primarily MDAs), to meet the objectives of the sector service delivery and development programs and performance targets, which underpin the national strategies for economic performance and poverty reduction.

The GOU, through MOPS, will be responsible for ensuring that the implementation of the program and the initiatives under the PEF component are undertaken as planned. To ensure implementation of PEF, GOU has created the following institutional arrangements that are set out in a comprehensive manual¹:

- The PSRP Steering Committee provides strategic leadership, implementation oversight and coordination of performance enhancement interventions in Uganda. This Committee, through the Head of Public Service, informs the Cabinet about policies affecting the implementation of the PEF including any corrective measures undertaken to improve its implementation.
- The Technical Advisory Committee (TAC) is established under the tutelage of MOPS.
- MOPS will be responsible for policy issues in the area of public service and will house the PEF.

MDAs are primarily responsible for the implementation of the PEF. They implement performance enhancement initiatives in their respective fields as defined in their strategic plans. Heads of Departments of participating MDAs participating in the PEF identify and promulgate PEF goals and manage programmed activities.

Overall during programme execution MOPS as the program implementing agency, shall coordinate programme implementation and manage:

¹ Ministry of Public Service, Performance Enhancement Programme, *Performance Enhancement Fund-Operations Manual*, June 2005.

- procurement, including purchases of goods, works, and consulting services;
- programme monitoring, reporting and evaluation;
- contractual relationships with IDA and other co-financiers; and
- financial management and record keeping, accounts and disbursements.

MOPS will also constitute the operational link to the IDA and Government of Uganda on matters related to the implementation of the programme.

The Permanent Secretary (PS), MOPS will be the “Accounting Officers” for the programme, assuming the overall responsibility for accounting for the programme funds.

The programme financial management is *strengthened* by the following salient features:-

- ③ The accounting and internal audit personnel are adequately qualified and experienced in MOPS; and
- ③ The programme has a Financial Management Manual (FMM) in place i.e. the GoU Treasury Accounting Instructions 2003 that will be complemented by the Operational Manuals for PSRP and PEF.

Monitoring and evaluation of outcomes/results

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

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

Monitoring will be undertaken at two levels. At one level, each MOPS Directorate will monitor actual expenditure on various initiatives against budget, and timeliness of implementation of planned activities and delivery of outputs scheduled in component Gantt Charts. This monitoring activity will provide a basis for generating periodic reports for review within the year at MOPS monthly meetings, and consumption by the SWG and PSRP Steering Committee.

At a higher level, the same team will periodically monitor the PSRP’s performance relative to the strategic objectives and specified key performance indicators. 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 effort will provide a basis for reporting progress against policy actions and predetermined outputs extracted from PSRP’s

strategic framework, and specified in the *PEAP Results and Policy Matrix* for good governance. MOPS' management will prepare periodic reports and table the Annual Report to the PSRP Steering Committee and sector working group (SWG).

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 constitute part of the NIMES. "*Public Service Results Management*" is a key result area of the PSRP. It contains a number of activities planned to build MOPS and other MDAs' capacity in M&E. It will also be crucial that vital linkages between ROM, OOB and other management initiatives are forged.

7. Sustainability

There are ongoing programs and initiatives to enhance GOU's fiscal capacity and resource allocation. Indeed UPSPEP might support some of these interventions. In this regard, 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 in allocation of resources from the GOU budget.

UPSPEP is supporting a comprehensive approach to public sector capacity development. In this approach gaps and lopsidedness in capacity development, which is common with fragmented approaches, are minimized. Therefore prospects for higher quality and sustainable outcomes are maximized. It can be anticipated that capacity development under the program will be spread across the public service in a particularly reinforcing way.

Implementation of UPSPEP is mainstreamed in the structures of MOPS and other concerned MDAs. In other words no enclave PIUs will be established. Furthermore, capacity building will be embedded in the formal and long-term structures of the MDAs, which enhances 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. Considering this, UPSPEP seeks to reinforce the implementation of Uganda's PSRP. Strategies linked to improving performance and changing culture in the public service need to be implemented. Under the PSRP, it is planned that progress will be made towards entrenchment of results-oriented and accountability culture in the management of public sector organizations.

An important factor in the sustainability of the program'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 to accelerate progress in the realization of the pay reform objectives. In particular, in this dialogue emphasis will be on achieving the goal of enabling government to attract, recruit, retain and motivate personnel with necessary professional, managerial and technical skills in the public service.

8. Lessons Learned from Past Operations in the Country/Sector

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

- The Bank's experience suggests that a more programmatic approach fosters more ownership and lends itself to greater coordination. Intrusive micro-management, especially by many uncoordinated donors, increases transaction costs and weakens African capacity, government accountability, and overall effectiveness². Therefore UPSPEP's support to the PSRP will be in the form of a SWAp contributing to pooled funds. GOU has created a sector-working group (SWG) that will conduct the dialogue around the PSRP agenda and assure the links to other reforms. Development partners are part of this dialogue. UPSPEP is the Bank's response to this programmatic approach.
- The creation of enclaves, e.g., project implementation units (PIUs) drains the public service of many of its best human resources. Fragmented projects, each with their 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.
- It takes decades to assess the impact of a public service reform program and the associated capacity enhancement activities. However, there is a basis for anticipating that enhanced capacity and performance improvements will translate into improved service delivery. The PSRP strategic framework and related outcomes and outputs are linked to the overall GOU PEAP matrix. UPSPEP will use the monitoring and evaluation 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.
- Low salaries persist as the most pervasive constraint to increasing civil service productivity and motivating increased effectiveness. The pay issue is fully integrated into the PSRP and is part of the PEAP/PRSC dialogue. Therefore UPSPEP is designed to support the comprehensive public service reform program. Other motivational aspects are also part of the PSRP and will be supported by both components of UPSPEP.
- 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.
- SFIA has 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 a capacity building facility in terms of an "emerging partnership model".

² "Can Africa Claim the 21st Century", World Bank 2000.

Other local lessons that are considered to be particularly pertinent include:

- 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 the program will be implemented by MDAs. The PEF component also requires that MDAs reflect on their trajectory for transformation and hence be fully concerned with the reform program.
- Performance improvement at the organizational and institutional levels has been hampered by the fact that developed capacity has seldom 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 commensurate incentives.
- The impact assessment of the training fund component of the Uganda Institutional Capacity Building Project (ICBP) concluded that a demand-driven approach, 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) lead to better and more committed staff, and also had beneficial results at the organizational level. UPSPEP (component 2) builds on this particular approach and scales up the demand-driven approach.

Alternatives considered and reasons for rejection

The most important criterion in considering alternatives for this program is the need to use an instrument that will provide flexibility, responsiveness 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 disbursed yearly, they are not appropriate to support a longer-term program aimed at improving the capacity and performance to transform public service institutions. Institution building requires 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. Over the past PRSCs, the public service reform program failed to be awarded its due share of resources. In addition to public service reform, the planning and budget process has generally fell short to allocating resources required to strengthen institutions for environmental management, procurement, statistics and others. 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 sector development programs (SDPs) and PRSCs as instruments for policy

dialogue. A TA project is not very conducive to a flexible, demand-driven orientation. Neither does it promote for an all-inclusive dialogue and coordination of efforts among development partners and with government. UPSPEP seeks to move to a strategic programmatic approach that will require a comprehensive, flexible, and demand-driven process-based approach that will support the dialogue initiated on reforms agreed at the PRSC level. The GOU has requested specifically that the PSRP be supported through a SWAp that contributes to a pool of funds.

Adaptable program loan (APL). This instrument would be the most appropriate given the magnitude of the issues being addressed and the recognition that institutional capacity building 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.

9. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment (OP/BP/GP 4.01)	[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]

The project will not have any interventions directly related to environmental issues, apart from those that address safeguards above. UPSPEP will finance under the PSRP component civil works construction costs for completely new buildings to house the Records and Archives Centre. ASPEN has reviewed the project's safeguards status and categorized it as B – partial assessment.

A site specific environmental impact assesment has been prepared, reviewed and approved by the government and the World Bank. This has been disclosed in country and at the World Bank Public Information Center. An abbreviated resettlement action plan has been prepared and forwarded to the World Bank for review and approval. This will be disclosed in country and at the World Bank Public Information Center on approval and will be implemented prior to construction commencement

10. List of Factual Technical Documents

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

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

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

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

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 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 Work plan (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

MoPS Financial Assessment – The World Bank 2006

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