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UGANDA PUBLIC SERVICE PERFORMANCE ENHANCEMENT PROJECT

PROJECT DATA SHEET

Date: **June 13, 2008** Country: **Uganda** Project Name: **Uganda Public Service Performance Enhancement Project** Project ID**: P050440**	Task Team Leader: **Denyse E. Morin** Sector Manager**: Anand Rajaram** Sector Director: **Sudhir Shetty** Country Director: **John M. McIntire** Environmental category: **B**

Borrower: **Government of Uganda**
Responsible agency:
Ministry of Public Service
P.O. Box 7003, Kampala, Uganda
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Revised estimated disbursements (**Bank FY/US$23m equivalent)**

FY	2009	2010	2011	2012	2013
Annual	5.0	6.0	6.0	3.0	3.0
Cumulative	5.0	11.0	17.0	20.0	23.0

Current closing date: June 30, 2011
Revised closing date: June 30, 2013

Indicate if the restructuring is:	
Board approved X	
RVP approved ___	
Does the restructured project require any exceptions to Bank policies?	__ Yes **X** No
Have these been approved by Bank management?	__ Yes **X** No
Is approval for any policy exception sought from the Board?	__ Yes **X** No

Revised project development objectives (PDO)/outcomes: The project development objective remains the same. However the outcomes for component 2 will be reduced in scope and focus. The PDO is: to support (i) the transformation of the public service so that it is affordable, efficient and accountable in the use of public resources; and (ii) improvement in the policy, institutional and regulatory environment in targeted areas for sustainable growth and service delivery. The outcome is: Improved public sector performance as measured by: (i) percentage satisfaction with public service delivery; and (ii) percentage of ministries, departments and agencies (MDAs) and local governments (LGs) that report full achievement of their annual performance (ROM) targets as verified through inspectorates.

Does the restructured project trigger any new safeguard policies? No

Revised Financing Plan (**Bank FY/US$23m equivalent)**

Source	Local	Foreign	Total
Borrower	-	-	-
IBRD/IDA	13.40	9.60	23.00
Others	10.53	7.84	18.37
Total	**23.93**	**17.34**	**41.37**

UGANDA PUBLIC SERVICE PERFORMANCE ENHANCEMENT PROJECT

Introduction

1. This Project Paper (PP) seeks the approval of the Executive Directors to introduce the following changes in the Uganda Public Service Performance Enhancement Project (UPSPEP) Cr. 4199 UG, Project ID: P050440 and any accompanying amendments to the project's legal documents. The proposed changes include:

a) Limiting component 2 (Performance Enhancement Facility) to three main activities, namely to: (i) establish a Civil Service College (CSC) to provide a sustainable source of skilled workforce for the public service; (ii) provide targeted training and research in strategic areas of the growth agenda; and (iii) equip top public service managers with the skills leading to a more strategic approach to managing the service. The Ministry of Public Service (MoPS) will work with the ministries, departments and agencies (MDAs) to confirm the capacity development activities that will help achieve the objectives of the project.

b) Reducing the Credit amount from SDR 48.7 million (USD 70 million equivalent) to SDR 14 million (USD 23 million equivalent).

c) Extending the closing date from June 30, 2011 to June 30, 2013. The project has not become effective yet since, under the laws of Uganda, Parliament needs to approve all government external borrowing on a loan-by-loan basis. The appointment of a procurement consultant to build the capacity of the Ministry in conducting procurement will be a condition of effectiveness. The submission of the legal opinion to IDA after parliamentary approval will be a general condition of effectiveness of the amended and restated Financing Agreement.

2. The project development objective will remain the same but the outcomes for component 2 will be scaled down in terms of scope and focus. The results indicators for component 2 will change and so will the degree of impact.

3. Activities included under component 2 were to be implemented by MDAs other than the MoPS. Since the project was presented to the Board, the Government of Uganda (GoU) decided to revise its approach to the implementation of UPSPEP and asked the Bank to consider a restructured project with components and activities that fall directly within the mandate, responsibility and accountability of the MoPS. The Government believes that the MoPS would be in a better position to implement and monitor this reduced level of activities.

Background and Reasons for Restructuring

4. The IDA Board approved the UPSPEP on June 20, 2006, and the GoU signed the Financing Agreement (FA) on December 18, 2006. Subsequently, the GoU requested and the Bank granted three extensions of the project Effectiveness Deadline from April

17 to July 17, 2007, to October 16, 2007, and finally to December 20, 2007, which was 18 months from the Board approval date. Under the laws of Uganda, the Parliament approves all government external borrowing on a loan-by-loan basis. During December 2007, the Parliamentary Committee on the National Economy discussed the Credit but failed to recommend its approval to Parliament. The parliamentary delays were likely the result of differences of views within the government about the project's scope.

5. In February 2008, the President of Uganda, H.E Yoweri Kaguta Museveni, wrote to the World Bank to emphasize the importance of the UPSPEP to help the government strengthen its public service. The Minister of Finance, in a letter dated March 26, 2008, asked the Bank to retroactively extend the Effectiveness Deadline in order to restructure the project and reduce the IDA amount. On April 21, 2008, the Bank's Managing Director approved the request for retroactive extension of the Effectiveness Deadline to August 20, 2008.

6. The project development objective (PDO) is to support the transformation of the public service so that it is affordable, efficient and accountable in use of public resources and service delivery; and the improvement of the policy, institutional and regulatory environment for sustainable growth and service delivery

7. The project as approved by the Board has two components: (i) to support the implementation of the government's Public Service Reform Program (PSRP) through a sector-wide approach program (SWAp) for a total of US$31.6 million of which US$15million is IDA; and (ii) support activities to foster performance enhancement initiatives on a demand-driven basis through a performance improvement fund (US$55 million IDA). The availability of these funds was to be linked to MDAs' performance improvement plans for better service delivery and demonstrated commitment to organizational transformation.

8. This PP does not seek any change to the first component (support to the PSRP). Although the IDA credit has yet to become effective, the implementation of the PSRP is underway with other development partners' support (DFID, Irish Aid and DANIDA). The Government confirmed that the IDA credit continues to be necessary to address the funding gap. The GoU is keen to have all the necessary resources to put in place a sound Integrated Personnel and Payroll System (IPPS) and to establish a fully operational National Records and Archives Centre. These activities are part of component 1. The Bank participates actively in the development partners' dialogue with government on the implementation of the PSRP.

Proposed Changes

9. The Government has requested that component 2 focus on core performance enhancement initiatives for which the MoPS has direct responsibility and that the demand-driven approach be dropped. The MoPS will implement these initiatives in consultation with all MDAs involved in the areas targeted by this component and with the Millennium Science Initiative (MSI) project which has complementary elements. The GoU proposed to reduce the amount of component 2 from US$55 million to US $8 million. The disbursement table has been adjusted accordingly. The following activities,

identified at the outset of the preparation, will not be part of the restructured project, namely the support to: (i) statistical capacity development; (ii) procurement reforms; and (iii) the financial sector technical assistance program.

10. The restructured project will finance the following activities under component 2:

a) Establishment of a Civil Service College (CSC) as a centre of excellence for policy research/training (US$ 6 Million)

The CSC will provide training and re-orientation of public officers that will create greater awareness of their roles and responsibilities vis-à-vis the needs of the citizens on a sustainable basis. The aim of the PSRP is to create and maintain a public service that is a vanguard of transformation. The CSC would be a key instrument to fulfill the objective of the reform program. The CSC will conduct policy research and reviews to help move reforms forward and support innovative ideas for enhanced performance in public service delivery in the strategic areas of the national development plan. The specific activities to be funded under this sub-component will include:

Upgrading existing premises (US$ 2.0 Million)

(i) The MoPS has commissioned a study to provide guidance on how best to establish the CSC. Although the results of the study are not yet known, it is understood that the CSC will be housed in existing facilities. However, the premises that would be identified for the college are likely to require some refurbishing and upgrading in terms of size of rooms, lighting, windows, etc. This component would provide for the planning and implementation of the refurbishing. This activity would also include equipping the CSC with state-of-the-art training equipment and furniture.

Operationalizing the CSC (US$ 2.5 Million)

(ii) This would include supporting the management of the centre to develop a vision for the CSC and translate this vision into a concrete business plan for the college. This activity would contribute to identifying the appropriate complement of staff and skills required to have a CSC that is responsive to the national development plan for Uganda. More importantly, this activity would provide for the CSC to establish a twinning arrangement with a world class institution that is well known for its strategic vision and is at the vanguard of key developments in public sector management. Through this twinning arrangement would emerge training and other capacity development interventions both in strategic and technical areas that will help the CSC establish its credibility as a centre of excellence.

Strengthening policy research (US$ 0.5 Million)

(iii) Strengthening policy research would be done through the use of technical assistance and specialized skills to build capacity of local researchers to respond to the need for policy changes in line with national development objectives. The twinning arrangement for the CSC would provide the vehicle to identify how best to develop the capacity to respond to changes in a timely manner. It would provide means to access best practices from around the world.

Supporting the implementation of innovative ideas (US$ 1.0 Million)

(iv) Organizations will be encouraged to come up with unique interventions that can improve and streamline their processes to deliver services competently. This would also be made possible through the twinning arrangement that will be sought by the CSC. This activity will complement component 1 of the Project and encourage MDAs and other organizations to rationalize their service delivery processes.

b) Strategic Capacity Development for the Transformation of Uganda (US $ 2.0 Million)

The funds will be utilized to support training and research in key areas to bridge the current gap in strategic leadership and management skills, and enhance value addition to the country's raw materials and support economic growth. This training will complement efforts being undertaken by the GoU under the Millennium Science Initiative (MSI) project which seeks to produce more and better qualified science and engineering graduates and higher quality and more relevant research; and for firms to utilize these outputs to improve productivity for enhancing science and technology-led growth. As much as possible, the capacity development activities would be undertaken through the CSC.

Support training and research in strategic areas (US $ 1.0 Million)

(i) These include areas such as food, oil and gas and agro processing to help boost industrialization and economic growth, training will focus both on individuals already in service that need to continuously upgrade their skills in these areas.

Bridging the current gaps in leadership and management (US $ 1.0 Million)

(ii) This will be done through supporting senior managers in the public service to undertake longer-term courses so that top leaders manage the public service more strategically and in a business-oriented manner.

Project Component by Cost

Components	Local US$million	Foreign US$million	Total US$million
PSRP Component:	17.79	12.38	30.17
1) Performance & Accountability	1.41	0.18	1.59
2) Human Resources Capacity	4.38	2.45	6.83
3) Efficiency & Restructuring	0.97	0.06	1.03
4) Work Environment	10.23	8.08	18.31
5) Pay & Pension Reform	0.13	0.20	0.33
6) Leadership	0.68	1.41	2.09
Strategic Capacity Development Component	4.40	3.60	8.00
Total Baseline Cost	23.00	16.50	39.60
Physical/Price Contingencies	0.90	0.90	1.80
Total Project Costs	23.90	17.40	41.30

Complementary changes

Institutional arrangements

11. The Government proposes to change the implementation modality for Component 2 (Strategic Capacity Development). Since the demand-driven approach will not be used to implement this component the new activities require simplified institutional arrangements for their implementation. The establishment of the CSC will be the responsibility of the MoPS. With respect to the other activities of component 2, MoPS would be the key implementing agency but it would work closely with the MDAs to identify the required targeted capacity development interventions through their sector working groups. The MoPS would be responsible for procurement of all aspects of component 2. The implementation of this component by the MoPS would be monitored through the Public Sector Management Working Group and in collaboration with other sector working groups affected by the activities under this component. Monitoring would also be done though regular impact assessment by the beneficiary agency with support from MoPS. Close collaboration will be maintained with the MSI project to ensure that there is no duplication of interventions and to maximize the complementarity of activities.

12. The Procurement Arrangements for the project will change for component 2. The earlier capacity assessment of the MoPS and mitigation measures for the project are still relevant although new risks are presented in paragraph 16. Since the demand-driven approach will not be used to implement the project, the procurement annex has been updated and is presented in Annex 1a. In addition, the project will now adopt the latest procurement and selection guidelines as revised in October 2006. The Procurement Plan

has been updated to reflect the new procurements arising from the restructuring and is presented in Annex 1b.

Analysis

13. The proposed changes do not have any major effect on the original economic, financial, technical, institutional, or social aspects of the project as appraised. The environmental category remains B, and the required Environmental Impact Assessment and Abbreviated Resettlement Plan were duly disclosed both in Country and World Bank Infoshop. The proposed refurbishment and upgrading of existing facility to establish a Civil Service College do not change the environmental category or trigger new safeguard policies. The specific existing facility to be refurbished has yet to be decided, and when known, the same impacts identified for the National Records and Archives Centre will apply. They will be managed under the provisions of the Environmental Impact Assessment (EIA), 2005 for the National Records and Archives Centre under Sections 5.1- Construction Phase Impacts; 5.2 - Operational Phase Impacts; and 7- Environmental Monitoring Plan. The Government has prepared an addendum to the EIA (2005) and communicated to the World Bank confirming this commitment.

14. The restructuring does not involve any exceptions to Bank policies.

Expected Outcomes

15. Whereas the proposed changes will not affect the main PDO, the decreased budget for component 2 will reduce the scope of impact. The results framework and arrangements for results monitoring have been adjusted to reflect the reduction in scope of impact.

16. The arrangements for results monitoring remain the same – quarterly reports and supervision aide-mémoire for the Bank. The indicators and arrangements for result monitoring for component 2 will change as shown in the following tables:

Results Framework

Intermediate Result	**Result Indicators**	**Use of Result Monitoring**
1. CSC up and running	• Number of public officers that completed specific CSC training courses. • Number of local policy research and reviews conducted by CSC.	• Indication of improved performance as a result of enhanced competencies, skills and attitudes. • Development of quality homegrown policies.
2. Capacity developed in target areas for industrialization	• Improvement in leadership and management skills in specific areas for	• Removal of capacity/performance gaps as reflected in the quality of services. • Indication of improved leadership

Intermediate Result	**Result Indicators**	**Use of Result Monitoring**
and economic growth	industrialization and economic growth.	and management skills related to specific areas of industrialization and economic growth.

Arrangements for Results Monitoring

		Target Values					Data Collection and Reporting		
Outcome Indicators	**Baseline 2008/09**	**YR1 2009/10**	**YR2 2010/11**	**YR3 2011/12**	**YR4 2012/13**	**YR5 2013/14**	**Frequency and Reports**	**Data Collection Instruments**	**Responsibility for Data Collection**
Component Two – Strategic Capacity Development									
Number of public officers that completed specific CSC training courses.	CSC being set up	15% (based on the baseline value)	25%	45%	70%	100%	Half yearly	Training Impact Assessment reports	Accounting Officers of MDAs and PS, MOPS
Number of local policy research and reviews conducted by CSC.	NSDS ongoing	15% (based on the baseline value)	15%	25%	35%	50%	NSDS - Biannual	Survey reports, e.g., citizens' report cards, quarterly reports	PS, MOPS with support from UBOS
Improvement in leadership and management skills in specific areas for industrialization and economic growth	NSDS ongoing	45% (based on the baseline value)	55%	65%	85%	100%	NSDS - Biannual	Survey reports, e.g., specific questions in citizens' report cards, quarterly reports	C/PSID MOPS

Benefits and Risks:

17. The risks identified in the original UPSPEP remain valid at the level of "project development objective" and "component results" for component 1[1]. Since the second component will not use a fund for demand-driven requests the risk of capture of the basket will not exist neither will the risk of low integrity or weak accountability in the use of the performance enhancement fund. However, new risks at the level of "component results" are presented in the table below.

Risks	Risk Mitigation Measures	Risk Rating with Mitigation
The funds for capacity development will not be used for strategic interventions	Use the work planning exercise under component 1 to identify the key areas for which managers need to be better equipped.	M
The Government will not have the funds to hire and remunerate adequately the staff of the CSC and provide for its operating costs	Support the MoPS in planning for these expenses in its Budget Framework Paper ahead of the CSC becoming operational.	H

[1] Project Appraisal Document for UPSPEP pages 22-24

ANNEX 1A: UPDATED PROCUREMENT ARRANGEMENTS

UGANDA PUBLIC SERVICE PERFORMANCE ENHANCEMENT PROJECT

A. General

18. Procurement for the proposed project would be carried out in accordance with the World Bank's "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004; and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004, revised October 2006, and the provisions stipulated in the Financing Agreement. The various items under different expenditure categories are described in general below. Each contract to be financed by the Credit will be in the procurement plan to be prepared by the Borrower and agreed with the Bank. The Procurement Plan will indicate for each contract the method for procurement of goods and works, and method for selection of consultants. The Plan will also indicate the planned and actual for each contract, the need for pre-qualification, estimated costs, prior review requirements, and time frame for key processing activities. The Procurement Plan will be updated at least semi-annually or, as required, to reflect the actual implementation progress of each contract against planned benchmarks.

Use of National System

19. All contracts following National Competitive Bidding (NCB), and other lower procurement procedures (shopping, and selective tender for smaller works contracts) will follow the national public procurement law (the PPDA Act and attendant Regulations and the Local Government Act, CAP 243 and its Regulations). These procedures have been reviewed by the Bank and found to be acceptable except for the following provisions which will not be applicable under this project.\

(i) *Allowing bidders only 21 days to submit bids.* Invitations to bid for NCB shall be advertised in at least one national newspaper with a wide circulation, at least 30 days prior to the deadline for the submission of bids shall be allowed for all NCB.

(ii) *Negotiations with the best evaluated bidder.* This practice is not appropriate, except for consulting services contracts and for goods and works under exceptional circumstances, and for contracts procured through direct contracting.

(iii) *Merit point system for bid evaluation.* This shall not be applied for goods and works contracts procured on basis of competition (ICB, NCB or restricted tender).

(iv) *Pre-qualifying bidders and then inviting only a few on a rotational basis.* For shopping procedures, the Procuring and Disposal Entity (PDE) will not be allowed to pre-qualify suppliers on an annual basis and invite all pre-qualified providers to submit proposals. Shopping will be to a few firms (at least three).

(v) *Direct Contracting for contracts estimated to cost the equivalent of $1,100 or less.* There will be no use of the micro-procurement method for each contract estimated to cost the equivalent of $1,100 or less. Micro-procurement is by definition, Direct Contracting, or Single Source Selection, which should be used on exceptional basis with adequate justification and with the bank's prior approval.

(vi) *Community Procurement.* Section 42 of the Local Government Procurement Regulations on community procurement which requires procurement to be done by the lowest administrative LG unit shall not apply. Procurement under the CDD Grant shall be conducted fully by the community and clearances shall be by the Community Procurement Management Committees as detailed in the Community Procurement Manual.

20. Under the proposed project, procurement under International Competitive Bidding (ICB) and selection of consultants using QCBS shall also (in addition to the World Bank guidelines) comply with the national system except where the two conflict. Specifically, the Contracts Committees shall continue to perform their oversight functions at each of the key procurement stages and contracts shall, as required, be subjected to the Solicitor General's clearance.

Procedure for Shopping

21. For clarity and removal of doubt, the following procedures will be followed for shopping. Request for quotations (RFQ) shall be from as many suppliers or contractors as practicable, but from at least three. The RFQ and quotations shall be in writing and the quotations shall be submitted and opened at the same time. The RFQ shall contain all required specifications (and drawings, if needed, in case of works); standards etc. to enable the supplier or contractor to provide a complete quotation. Invited bidders shall be required to acknowledge receipt of the RFQ, and copies of this acknowledgement shall be kept on the respective procurement files. Each supplier or contractor from whom a quotation is requested shall be informed of the place, time and method of submission of quotations, and whether any elements, apart from the charges for the goods or services themselves, such as transportation and insurance charges, customs duties and taxes, are to be included in the quotations or not. Each supplier or contractor may only give one price quotation and may not change this quotation, once the quotations are submitted and opened. No negotiations shall take place with respect to a quotation submitted by the supplier or contractor.

Solicitation Documents to be Used

22. Goods and Works. The Bank's standard bidding documents will be used for procurement under ICB, and for procurement under NCB with appropriate modifications. Alternatively, the standard tender documents for procurements of Supplies, Works and Non-Consultancy Services prepared and issued by the Public Procurement and Disposal of Assets Authority (PPDA) may be used for NCB. Where the PPDA documents are used, ONLY the "Technical Compliance" Selection methodology as defined in the Act shall be adopted. The rest of the methodologies shall not be used, even for NCB, for the procurement of goods, works and non-consulting services.

23. *Consulting Services.* The Bank's Standard Request for Proposal document will be used in the selection of consulting firms. Short lists of consultants for consulting services contracts estimated to cost less than $200,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines. The PPDA Standard Bidding Document for the Procurement of Consultancy Services shall not be used.

24. Framework Contracts. These contracts for common small value supplies will be procured annually to enable implementing agencies to place orders for urgently needed supplies at short notice, at a competitive price. As such, commonly purchased items like stationery and consumables shall be aggregated and procured using framework contracts.

Scope of procurement under the Project

25. *Procurement of Works.* Works contracts to be procured under the Project include: (i) the construction of the Records and Archives Centre; and (ii) the refurbishment of the CSC.

26. *Procurement of Good.* Goods procured under the Project would include: (i) motor vehicles; (ii) IT for the Integrated Personnel and Payroll System (IPPS); (iii) office equipment; (iv) supplies; and (v) furniture.

27. *Procurement of non-consulting services.* Non-consulting services would include: provision of services for publishing, travel, advertising, accommodation, promotions in the electronic media, and workshop facilities.

Selection of Consultants

28. Consulting firms and individual consultants will be selected to organize and facilitate workshops and to provide specialist procurement advisory services; support the establishment of the Civil Service College and provide training in targeted areas; to perform financial and annual independent procurement audit (AIPA) of the project, to monitor and evaluate the outputs and impacts, to assess the progress in meeting PDO at mid-term review, for the design and implementation of the IPPS, and the various studies in support of change management and performance enhancement initiatives, as well as consultants to provide engineering services for the construction of the national records and archives center. Shortlists of consultants for services estimated to cost less than US$200,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Operating Costs

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

B. Update of Assessment of the MoPS' Capacity to Implement Procurement

30. The Procurement Capacity Assessment for the MoPS conducted in January 2006 was updated in May 2008 and it was noted that the risk is still HIGH. The capacity has not changed mainly because the Ministry did not effectively implement the risk mitigation measures recommended earlier. The selection of procurement specialists to support the project was unsuccessful as no suitable candidates were identified.

31. The following risk management plan should therefore be implemented within six months of credit effectiveness and as a condition for disbursement:

(i) A procurement consultant shall be hired to build the capacity of the Ministry in conducing procurement within 3 months from credit effectiveness. The consultant will focus on reviewing documents prepared by the Procurement Unit but may backstop the Ministry's Procurement Unit during peak times. The Terms of Reference and contract for the consultant shall be subject to IDA's prior review. Hiring of the consultant shall be a condition for disbursement.

(ii) The project coordinator, in liaison with the Permanent Secretary, shall monitor the Procurement Unit to ensure adherence to the Procurement Plan and the applicable guidelines. This shall include quarterly procurement review meetings to be attended by the project implementing staff. The main purpose of the quarterly meetings will be to review progress on procurement implementation and direct, in a timely manner actions required to make good any shortcomings on the implementation. The PDU will prepare, for the quarterly meetings, an update of the procurement plan indicating how each contract on the plan has progressed/will progress and highlighting emerging issues (if any) that require the meetings consideration.

(iii) The MoPS shall utilize the available expertise and experience in the Ministry of Finance, Planning and Economic Development (from the IFMS implementation) to support the procurement and contract management for the IPPS.

(iv) The procurement staff supporting the project shall attend relevant refresher courses in Project Procurement in GIMPA or ESAMI within twelve (12) months of Credit Effectiveness.

32. The overall project risk for procurement is rated HIGH. This rating will be reviewed annually during the annual Procurement Post Review (PPR). The risks for the other agencies do not apply anymore since they will not be doing procurement under the project.

C. Procurement Plan

33. The Borrower, at appraisal, prepared and has now revised the draft procurement plan for project implementation. The Procurement Plan will also be available in the project's database and in the Bank's external website. The Procurement Plan will be updated in agreement with IDA annually or as required to reflect the actual project

implementation needs and improvements in institutional capacity. The Plan includes the different procurement methods or consultant selection methods, the need for pre-qualification, estimated costs, prior review requirements, and time frame of the procurement or selection.

D. Frequency of Procurement Supervision

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

ANNEX 1B: DETAILS OF THE PROCUREMENT ARRANGEMENTS INVOLVING INTERNATIONAL COMPETITION

E. Details of the Procurement Arrangements Involving International Competition

1. Goods, Works, and Non Consulting Services

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

1	2	3	4	5	6	7	8	9
Ref. No.	**Contract (Description)**	**Estd. Cost (US$'000)**	**Procurement Method**	**P-Q**	**Domestic Preference (yes/no)**	**Review by Bank (Prior / Post)**	**Expected Bid-Opening Date**	**Comments**
	Supply, installation & commissioning of IPPS	1,384	ICB	Pre	No	Prior	Aug 21, 2008	
	Supply of specialized equipment for Records and Archives Centre	972	ICB	Post	Yes	Prior	Mar 20, 2010	
	Specialized furniture and tools for the Records and Archives Centre	2,000	ICB	Post	yes	prior	Mar 20, 2010	
	Supply of motor vehicles	472	ICB	Post	No	Prior	Mar 20, 2010	
	Construction of Records & Archives Centre	10,495	ICB	Pre	Yes	Prior	May 5, 2009	
	Supply of Equipment for Civil Service College	1,000	ICB	Pre	Yes	Prior	May 10, 2009	

International Competitive Bidding (ICB)

(a) ICB contracts estimated to cost above US$250,000 equivalent for Goods and US$350,000 equivalent for works per contract and all direct contracting will be subject to prior review by the Bank.

(b) **Consulting Services.** List of consulting assignments with short-list of international firms

1	2	3	4	5	6	7
Ref. No.	**Description of Assignment**	**Estd. Cost ($ '000)**	**Selection Method**	**Review by Bank (Prior / Post)**	**Expected Proposals Submission Date**	**Comments**
	Consultancy services for restructuring and change management	213	QCBS	Prior	Aug 4, 2008	
	Consultancy services to develop and support pay reform, pension reform and pension arrears	240	QCBS	Prior	Sept 4, 2008	
	Consultancy services for construction supervision of the Records and Archives Centre	1,000	QCBS	Prior	Aug 4, 2008	
	Consultancy Services for IPPS long-term advisor	500	ICS	Prior	Jul 2, 2008	
	Feasibility study for establishment of CSD	100	QCBS	Prior	Dec 15, 2008	
	Technical support for policy research	500	QCBS	Prior	Jun 20, 2009	
	Consultancy services for the	50	QCBS	Prior	Mar 20, 2009	

	development of the CSC business plan					
	Consultancy services for curriculum development and identification of staff and skill sources	100	QCBS	Prior	June 20, 09	

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

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

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

ANNEX 2: UPDATED FINANCIAL MANAGEMENT AND DISBURSEMENT ARRANGEMENTS

UGANDA PUBLIC SERVICE PERFORMANCE ENHANCEMENT PROJECT

Financial Management Arrangements:

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

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

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

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

39. GOU is also seeking to rapidly enhance its financial accountability framework towards: (a) mitigation of fiduciary risk in public expenditure management; (b) achievement of economy, efficiency and effectiveness in the use of public funds; (c) enhancements in transparency and accountability; (d) enhancement of staff capacity in public financial management; and (e) establishment of an appropriate enabling environment for private sector development and regulation. These reform areas have been supported by a number of donor-assisted initiatives under earlier projects. These include the EFMP II and the LGDP II that were supported by IDA and the Financial Accountability and Decentralization Support Project that was funded by DFID. GoU's reform initiatives were also supported and strengthened by previous PRSCs.

Risk assessment and mitigation

40. The project needs to establish a financial management system that it is capable of ensuring that:

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

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

a) provision of an adequate number and mix of skilled and experienced staff to manage the project;

b) existence of an internal control system that ensures the conduct of an orderly and efficient payment and procurement process, and proper recording and safeguarding of assets and resources;

c) existence of an accounting system that meet reporting requirements by GoU and DPs;

d) capability of the system to provide financial data that allow the measurement of performance that is linked to the output of the project; and

e) timely appointment of independent, qualified auditors that will review the project's financial statements and internal controls.

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

Risk	*Risk Rating*	*Risk Mitigating Measures Incorporated into Project Design*	*Condition of Negotiations, Board or*
Inherent Risk			
■ Country Level	M		
■ Entity Level	M		
■ Project Level	H	The project's disbursement and funds flow arrangements are complex because PSRP component will be dealing with multi donors while the Strategic Capacity Development Component will be dealing with MoPS. This has been mitigated by the TTL including the Country Finance Officer in the appraisal mission to resolve this matter. We expect the residual risk to now be low.	
Control Risk			
■ Budgeting	L		
■ Accounting	L		
■ Internal Control	M		
■ Funds Flow	M		
■ Financial Reporting	L	Interim Financial Report formats have been agreed with the Bank.	
■ Auditing	M		
Overall Risk Rating	**M**		

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

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

	Action	Date due by	Responsible
1	Agreement of terms of reference for external auditors.	Three months after Credit Effectiveness	MOPS and IDA

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

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

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

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

47. MoPS will also constitute the operational link between IDA and the GoU on matters related to the implementation of the project. The Permanent Secretary of MoPS will be the "Accounting Officer" for the project, assuming the overall responsibility for accounting for the project funds.

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

Accounting Arrangements

49. *Books of accounts and list of accounting codes.* The MoPS will maintain books of accounts similar to those for other IDA-funded projects. The books of accounts to be

maintained specifically for UPSPEP should thus be set up and should include a cash book, ledgers, journal vouchers, fixed asset register and a contracts register.

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

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

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

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

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

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

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

57. The staff in the MoPS have undergone training in the use of IFMS.

Internal Control and Internal Auditing

58. *Internal Controls and the Financial Management Manual (FMM).* The existing FMM in MoPS is the Government's Treasury Accounting Instructions 2003 that will be complemented by the Operation Manuals for the PSRP in areas where it falls short, e.g.,

in reporting requirements to monitor progress. The Treasury Accounting Instructions accord with the Public Finance and Accountability Act of 2003.

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

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

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

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

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

Funds Flow Arrangements

64. *Component 1--PSRP*. At the beginning of each year, the GoU and the development partners will agree on an Annual Work Plan (AWP) and the proportion of financing to be allocated among the DPs. The DPs would then, based on a request for funds from GoU, deposit their share of financing for the first six months based on the AWP to a common pool Foreign exchange (FOREX) account that the GoU will open in

the Bank of Uganda at the start of the project. The second disbursement for the year will be made before the end of the first six months on the basis of a review of project progress and in accordance with the AWP. The GoU will draw from this account to a local currency, common pool account as and when required. The PSRP component will be fully funded by the DPs and no counterpart funding is expected from the GoU.

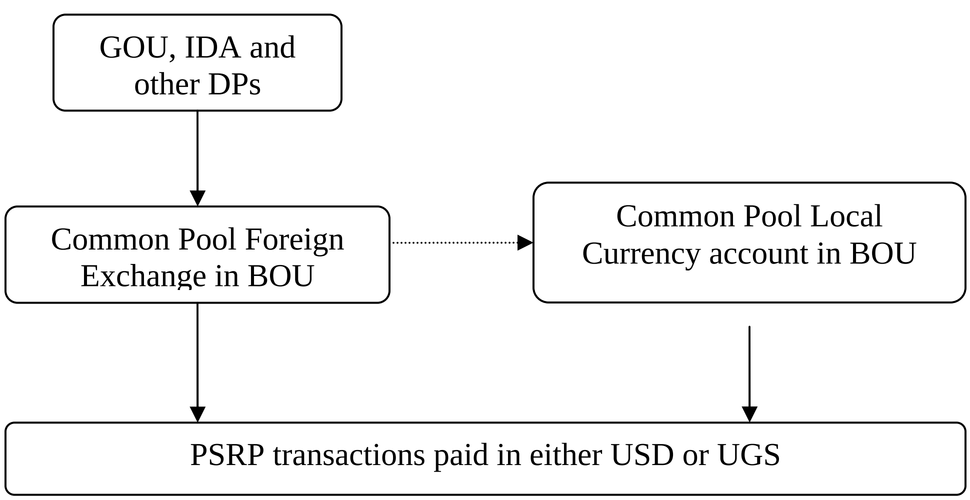
65. *Component 2--Strategic Capacity Development.* This component will be funded entirely by IDA, and a separate special account will be opened in the Bank of Uganda to which IDA will initially contribute the first six months' of projected expenditure as per AWP based on a request from GoU. The second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

66. No advances will be made directly to MDAs benefitting from this component. Contracting and payments for services rendered and goods delivered will be done by the MoPS.

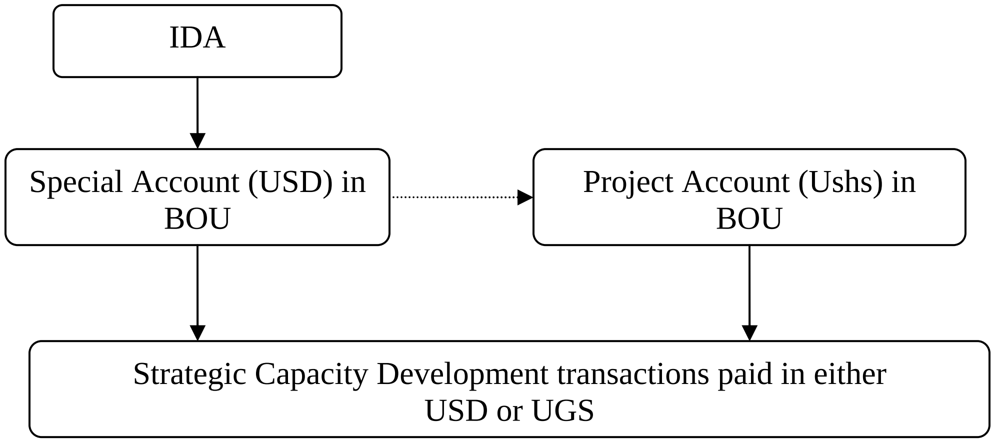
67. The common pool FOREX account for the PSRP component and the Special Account for the Strategic Capacity Development component will have to be opened in Bank of Uganda in accordance with the Financing Agreement for UPSPEP.

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

PSRP FUNDS FLOW CHART



STRATEGIC CAPACITY DEVELOPMENT FUNDS FLOW CHART



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

70. The detailed process of disbursement is described below:

(a) *Component 1: PSRP***.** The ceiling on the authorized allocation of the FOREX account will be set at a level that will be adequate to account for the highest six months of DPs' share of expected, eligible expenditure. The DPs will be able to advance funds without receiving any accounting up to that level. After effectiveness, on the receipt of a withdrawal application from GOU, the DPs would deposit funds required for their share for the first six months of program implementation based on the AWP. The second disbursement will be made before the end of the six-month period based on a mid–year review of the progress of the project in accordance with the AWP. MOPS will submit quarterly IFRs that will report expenditure and be used to account for expenditure against the funds advanced to MOPS. However, advances outstanding at any time will not be allowed to exceed the authorized allocation agreed for the project. The IFRs largely will follow the existing reporting formats of GOU and will be finalized before negotiations.

(b) *Component 2: Strategic Capacity Development***.** The ceiling on the authorized allocation of the Special account to be separately opened for the Strategic Capacity Development component will be set at a level that will be adequate to account for the highest six months of expected eligible expenditure. The Bank will be able to advance funds without receiving any accounting up to that level. The disbursement will be made on a six monthly basis. Upon credit effectiveness, the MoPS will submit a withdrawal application for the first six months' expected expenditure based on AWP. The second disbursement for the year will be made before the end of the six months period based on a review of the project progress and in accordance with the AWP. Quarterly IFRs will be submitted to IDA reporting expenditure that will be used for accounting against advances. However, at any given time, the outstanding advances will not be allowed to exceed the authorized allocation for the project. If ineligible expenditures are found to have been made from the Special Account, the GoU will be obligated to refund the same. If the Special Account remains inactive for more than six months, GOU may be requested to refund to IDA amounts advanced to the Special Account.

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

Allocation of Credit Proceeds

Category	**Amount of the Credit Allocated (expressed in US$)**	**Percentage of Expenditures to Financed**
(1) Sub-programs for Part 1 of the Project	14,500,000	Such percentage of eligible expenditures as the Association may determine for each Fiscal Year
(2) Activities for Part 2 of the Project	8,000,000	100percent of the amounts disbursed
(3) Refund of Project Preparation Advance	500,000	Amount payable pursuant to Section 2.07 of the General Conditions
TOTAL AMOUNT	**23,000,000**	

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

73. The following quarterly IFRs will be produced by MoPS for each of the components, i.e., PSRP and the Strategic Capacity Development Component:

(a) Financial Reports:
   i) Sources and Uses of Funds by Funding Source;
   ii) Uses of Funds by Project Activity/Component; and

iii) Pooled account/special account activity statement.

(b) Physical Progress (Output Monitoring) Report
(c) Procurement Report on prior review contracts

74. The formats of the IFR have been agreed with the Bank. MoPS is eligible to use the report-based disbursement for both the PSRP and Strategic Capacity Development Component, provided that during project implementation, it: (a) sustains satisfactory financial management ratings during the project's supervision; (b) submits IFRs consistent with the agreed form and content as explained below; and (c) submits Project Audit Reports by the due dates.

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

76. These PSRP and Strategic Capacity Development Component Financial Statements will comprise:

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

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

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

79. UPSPEP will have an audit report for each of the components, i.e., PSRP and the Strategic Capacity Development Component, both of which must be submitted to IDA (and other Development Partners in the case of PSRP) within six months after the end of each financial year. The new Audit Policy Guidelines allow UPSPEP accounts to be

included in the MOPS accounts but because MOPS has a reporting deadline of 9 months which is different from IDA's 6 months reporting deadline, UPSPEP's accounts will be audited separately from MOPS's accounts. Any firm of auditors subcontracted to carry out the audit should meet IDA's requirements in terms of independence, qualifications and experience.

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

81. The arrangements for the external audit of the financial statements of PSRP and the Strategic Capacity Development Component should be communicated to IDA through agreed terms of reference. Appropriate terms of reference for the external auditor must also be developed and agreed within three months of Credit Effectiveness.

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

83. The audit reports that will be required to be submitted by PSRP and the Strategic Capacity Development Component under UPSPEP and the due dates for submission are:

Audit Report	***Due Date***
1) Project Specific Financial Statements, i.e., PSRP and the Strategic Capacity Development Component annual audited accounts	Submitted within **six** months after the end of each financial year.

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

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