STAFF APPRAISAL REPORT

REPUBLIC OF UGANDA

INSTITUTIONAL CAPACITY BUILDING PROJECT

MAY 9, 1995

Public and Private Enterprise Division
Eastern Africa Department
Africa Region
CURRENCY EQUIVALENTS

Currency Unit = Uganda Shilling (U Sh)
US$1.00 = U Sh 918.17
U Sh 1.00 = US$0.00109
US$1.00 = SDR 0.68529
SDR 1.00 = US$1.45924

WEIGHTS AND MEASURES

Metric System

ABBREVIATIONS AND ACRONYMS

CBP  Capacity Building Plan
CBS  Capacity Building Secretariat
CLE  Continuing Legal Education
CSR  Civil Service Reform
DANIDA  Danish International Development Assistance
GOU  Government of Uganda
ICPAU  Institute of Certified Public Accountants of Uganda
MFEP  Ministry of Finance and Economic Planning
MJCA  Ministry of Justice and Constitutional Affairs
MLG  Ministry of Local Government
MPS  Ministry of Public Service
NRM  National Resistance Movement
ODA  Overseas Development Administration of the United Kingdom
PSRRC  Public Service Review and Reorganization Commission
RC  Resistance Council
ROM  Results Oriented Management
TA  Technical Assistance
UNDP  United Nations Development Program
USAID  United States Agency for International Development

GOVERNMENT FISCAL YEAR

July 1 - June 30

This report is prepared by IDA in collaboration with the Government of Uganda. The IDA team members consisted of Mr. G. Tata (Task Manager), Mr. I. Knapp and Mr. P. Langseth (Sr. Public Sector Management Specialists), Mr. J. Ford (Sr. Economist), Mr. A. Zerabruk (Sr. Legal Counsel), Ms. L. Masutti (Country Officer), Ms. S. Johnson (Consultant - Accountancy and Auditing) and Mr. S. Nogxina (Intern Legal Department). The GOU team members consisted of Ms. M. Muduuli (GOU Task Manager) and Mr. F. Tumuheirwe (Ministry of Finance and Economic Planning); Ms. D. Katuramu and Mr. G. Okoth (Ministry of Public Service); Mr. F. Lubanga and Mr. E. Mugabi (Ministry of Local Government); Mr. D. Byamugisha (Ministry of Justice and Constitutional Affairs); and Mr. G. Egaddu (Institute of Certified Public Accountants of Uganda). The team was assisted in preparation of this document by Ms. M. Fiat (Consultant) and Ms. H. Voelker (Sr. Staff Assistant). The Lead Advisor is Mr. E. Mbi and Peer Reviewers are Mr. O. Adamolekun, Ms. E. Adu, Mr. N. Colletta and Mr. L. Roberts. The Sector Division Chief is Mr. R. E. Hindle and the Acting Country Director is Mr. Michael F. Carter.
ANNEXES

Annex 1 - Letter of Sector Policy
Annex 2 - Implementation Schedules
Annex 3 - Summary Monitoring Indicators
Annex 4 - Project Costs
Annex 5 - Supervision Plan
Annex 6 - Project Implementation Structure
Annex 7 - Central Government Capacity Building Component
Annex 8 - Local Government Capacity Building Component
Annex 9 - Legal Sector Reform Component
Annex 10 - Accountancy Strengthening Component
Annex 11 - Training Funds Component
Annex 13 - Documents in the Project File
REPUBLIC OF UGANDA

INSTITUTIONAL CAPACITY BUILDING PROJECT

STAFF APPRAISAL REPORT

CREDIT AND PROJECT SUMMARY

Borrower: Republic of Uganda


Beneficiaries: Institute of Certified Public Accountants of Uganda, Local Governments from Local Government Capacity Building component and Private Sector organizations from Training Funds component

Poverty: Not applicable.

Amount: SDR 25.0 million (US$36.4 million equivalent)

Terms: Standard, with 40 years maturity

Financing Plan: See para. 2.39

Map: IBRD 26454

Project Identification No.: UG PA 2976
A. Technical Assistance and Capacity Building

1.1 In general, within the World Bank, technical assistance (or technical cooperation) are understood to encompass a broad set of activities, only some of which directly lead to capacity building. Specifically, technical assistance is defined in Operational Directive 8.40 as the transfer, adaptation, mobilization and utilization of services, skills, knowledge, technology and engineering to: (a) carry out policy studies and provide advice; (b) support project preparation and implementation; and (c) enhance a developing country's human, economic, technical, analytical, managerial and institutional capabilities on a sustainable basis. Only activities undertaken under item (c) above are considered as capacity building or, as an alternative definition, institutional development.

1.2 The important aspect of the definition is the demarcation between provision of support for addressing immediate needs (whether policy or project based) and the focus on the long-run objective of increasing a country's ability or capacity (i.e. intellectual infrastructure, systems, procedures, etc.). In designing the proposed Institutional Capacity Building Project, emphasis has been given as far as possible to the latter set of activities. The focus of capacity building activities under the proposed project are further narrowed to: (a) those tasks which have been demarcated as most critical to supporting the key areas of Government's reform agenda (i.e. civil service reform, decentralization and private sector development); and (b) only cross-sectoral tasks have been included with sector specific capacity building activities being left to the purview of other existing or planned sectoral operations.

B. Overview

1.3 The economic mismanagement and political chaos of the 1970s and the early 1980s in Uganda severely decimated one of the most respected and effective public administrations in Eastern Africa. With migration, Ugandan human capacity was further eroded. The National Resistance (NRM) Government assumed power in January 1986 and capacity building efforts in Uganda commenced in concert with the Economic Recovery Program through the Civil Service Reform (CSR) program. Recognizing that the lack of capacity in Uganda could as much be attributed to the absence of sufficient remuneration and proper incentives, as to the absence of skilled staff, GOU began an aggressive effort to increase remuneration in the Civil Service. The initiative was constrained by the lack of revenues collected by Government and, of necessity, increasing salaries meant reducing the total complement of staff through rationalizing Ministerial structures. The CSR program is discussed in detail in Section I.C below. Even as the CSR program was being implemented, GOU began a systemic evaluation of its approach to Technical Assistance which resulted in the Uganda Policy on Technical Assistance, issued in May 1993 (discussed in Section I.D). GOU also began determining, in addition to the overall CSR program,
the priority areas upon which it should focus and this resulted in the Uganda Capacity Building Plan published in February 1994 (discussed in Section I.E. below).

C. Capacity Building in the Civil Service

1.4 Central Government Reform. Through the Economic Recovery Program launched by the Government in 1987, the decline in standards and efficiency of the Civil Service has largely been arrested. The initial attempts at reform focused on reducing the numbers of part time employees and rationalizing the numbers, roles and functions of ministries. Then, in October 1990, a policy framework for a comprehensive civil service reform was presented by the Public Service Review and Reorganization Commission (PSRRC). The Commission’s report, which included some 255 specific recommendations concluded that the Ugandan Civil Service had been marked not only by its bloated structure, but also by inefficiency and poor performance. Key problems were: inadequate pay and benefits; poor management skills; dysfunctional civil service organization; and inadequate personnel management and training. This led to abuse of office and government property; moonlighting and corruption; lack of discipline; an erosion of rules and regulations; obsolete procedures; lack of appropriate systems; thin managerial and technical skills; poor public service attitudes; and massive bureaucratic red tape. In 1992 the major recommendations of the Committee were adopted as a framework for reform through Sessional Paper No.1. The chosen strategy includes: rationalization and downsizing of the civil service, reform of remuneration policy and payroll administration, restructuring of ministries and decentralization of governmental functions and development and introduction of improved personnel management systems.

1.5 To date, an impressive number of steps have been taken towards creating a small, well motivated and remunerated civil service capable of delivering timely and improved service to the public. Achievements include: significant real increases in salaries (although salary levels are still far below the Minimum Living Wage prescribed by the PSRRC); a reduction in the number of ministries from 38 in 1989 to 21 currently, and the rationalization of ministerial structures to remove duplications and overlaps as well as to reduce encroachment on the private sector. Significant progress has also been achieved in the removal of ghost workers, redundant employees, the overage and the poor performers reducing Central Government civil service staff from 1990 payroll payments of 320,000 employees to around 148,000 as of December 1994.

1.6 Despite the substantial achievements, the following issues remain to be addressed: continuing insufficiency of remuneration, i.e. pay and benefits (including non-monetary benefits) and major design weaknesses in the current pay and grading system which add lack of equity and transparency to the basic issue of low pay; insufficient management and supervisory skills; inadequate personnel management and training; lack of a Code of Conduct for Civil Servants; and inadequate facilities management and lack of a maintenance culture.

1.7 Previous and ongoing efforts by Government and related support from donors, in particular the United Nations Development Program (UNDP), the Overseas Development Administration of the United Kingdom (ODA), and the International Development Association (IDA) have, of necessity, focused on restoring efficiency to the core aspects of government business (e.g., planning, budgeting, control of financial and monetary resources). Aspects of reform in the Central Government need to be continued and assisted, particularly in relation to the areas identified in para. 1.6 above. However, the purview of the assistance needs to be also extended to Local Governments (i.e. District Level and below) as a result of Government’s decision to adopt a decentralized approach to management and delivery of public services.
1.8 **Decentralization.** After taking power in 1986, one of the first goals enunciated by the NRM Government in its overall framework of social-political policy was that of decentralization. In 1987, political decentralization was introduced through the Resistance Council (RC) system which consisted of a hierarchical structure of Councils and Committees. Commencing in 1986, the Government also began studying the issue of decentralization of administrative authorities and responsibilities to the thirty nine Districts in Uganda to match the RC structure. There have been various reports produced over the last seven years and in 1991, Cabinet considered and approved measures to strengthen democratic decentralization. Also, in 1992, a Standing Committee on Decentralization consisting of Permanent Secretaries was established, and a Decentralization Secretariat set up in the Ministry of Local Government. In November 1993, Parliament enacted the Local Governments (Resistance Councils) Statute. The implementation of this Statute will result in Central Government functions being reduced to policy formulation, planning, inspection and the management of national programs. All other services would be provided at or below the District level. In addition to locally raised revenues, Central Government would provide support through block grants and equalization grants (the latter compensating for disparity between districts).

1.9 The implementation of decentralization is well underway and the commitment of Central and Local Governments to its implementation is evident. Work on personnel decentralization is well advanced: (a) District Service Committees for all districts have been appointed; and (b) the District Reviews (which would establish structures and staffing) for all Districts have been completed and approval of these Reviews by the District Resistance Councils of most districts has also been completed. Financial decentralization is being implemented in a phased manner. The recurrent budget is being decentralized commencing with thirteen Districts in the first year, fourteen Districts in the second year and twelve Districts in the last year. During the first year of decentralization which commenced in 1993/94, the first thirteen Districts were responsible for managing expenditures (and reporting to Central Government) on the basis of specific votes for each sector Ministry which was having its services decentralized. In the second year of decentralization, 1994/95, the first thirteen Districts have received block grants from the Central Government. The District Resistance Councils are responsible for deciding on allocation of the block grant among the various services provided. Salaries have been excluded from the block grant (and remain a line item) since the District Reviews are in process and the staffing levels have yet to be agreed between the Central Government and the Districts. In 1994/95, the second group of fourteen Districts went to the vote system. In 1995/96 the remaining group of twelve Districts will go to the vote system; the first twenty seven Districts will go the block grant system at the same time. Hence, by 1996/97 the financial decentralization process for the recurrent budget would have been completed. Progress to date in the thirteen Districts with financial decentralization is being monitored closely by the Ministry of Local Government and is reported as being good; only two out of thirteen Districts were considered to have had unsatisfactory performance in expenditure management and remedial actions have been instituted.

1.10 In addition to the decentralized activities, some activities which were to have been provided by the Central Government per the Second Schedule of the Statute (e.g. hospitals, secondary schools) have been delegated to the Districts. A substantial improvement in service delivery has resulted. For example, hospitals in Jinja, Masaka, Itojo and Kabale are reported to have experienced substantial improvement in number of patients (including outpatients) served, availability of drugs, food to patients, rehabilitation of premises, payment of staff salaries and utility bills, etc. Other notable achievements include savings on staff payments through identification of ghost employees and contracting out of services.
1.11 Despite the achievements to-date, it can be expected that successful implementation of the decentralization program is likely to remain extremely challenging because of shortcomings in resources and human capacities in the Local Governments. Major shortcomings that will need to be addressed include: lack of appropriate personnel and financial management systems/registries required to manage the substantially higher level of finances and personnel under the direct control of the districts after decentralization. Use of Central Government resources has also resulted in several new reporting requirements. Shortage of staff and the need for extensive training of available staff also exists in several key areas such as planning, finance/accounting, etc. Finally, under the Statute, the RCIII (i.e. the sub-county) level has a substantial role in revenue and expenditure management. While certain districts (e.g. Jinja) had already commenced providing sub-counties with the responsibility for retaining and managing a proportion of resources, in most districts strengthening the sub-counties will be a substantial task. Thus, Government is in need of considerable assistance in order to help maintain its current commitment to reform and successfully effect this fundamental change in its approach to management of the economy and delivery of services.

1.12 **Donor Support for Decentralization.** The Government of Denmark, through the Danish International Development Association (DANIDA) has been the lead donor and has provided/is providing support to Government in various ways. First, when IDA’s District Management Study became the focus of debate and analysis within Government, experts were funded to help Government in its decision making process. Second, an inter-disciplinary task force which prepared the implementation modalities and reviewed the Local Government Statute was financed. Third, the establishment and operations of the Decentralization Secretariat are being partially financed. Fourth, substantial support for training and technical assistance is being provided up to March 1997. Fifth, some districts were supplied with limited office equipment. Finally, the District Development Program of one district (Rakai) is being financed. IDA has supported the decentralization program so far through sector work, i.e. the District Management Study (Report No. 10695-UG) and the Economic and Financial Management (EFM) Project (Cr. 2418-UG). Under that project, the District Reviews being conducted by Government have been supported. Other activities being implemented will also have an impact: systems and procedures being developed for central personnel and financial management will provide an important underpinning for decentralized systems; and some funds have been allocated for a program to commence implementation of and train staff for decentralized personnel and financial systems.

D. Uganda Policy on Technical Assistance

1.13 The Uganda Policy on Technical Assistance, May 1993 (which was prepared by GOU as part of a UNDP funded National Capacity Planning exercise), classifies technical assistance activities as either investment related or as free standing; under the Bank definitions, the freestanding Technical Assistance (TA) would include both policy support and capacity building. The study established that between 1988 and 1991, commitments for technical assistance support grew from US$65 million to US$133 million. Investment related TA accounted for only 21% of the resources; 79% was free standing. The report notes that the majority of the free standing TA was represented by small disjointed project interventions that usually have little impact on the overall economic performance. Consequently, the new policy defines a process which would:

(a) at first, ensure that TA priorities meshed with national plan and budget priorities and, later, include TA projects as part of the budgeting process;
(b) ensure that GOU takes the lead in project identification and that all TA projects are channelled through the Ministry of Finance and Economic Planning (MFEP);

(c) focus on the motivation of nationals and on the provision of an enabling environment specifically in the civil service;

(d) follow a country program approach as opposed to a project approach;

(e) use national execution by Government as the primary modality for implementing TA projects supplemented by use of local consultants and expatriate nationals. Use of long term expatriate advisors would be reduced to the minimum necessary with increase in the use of short-term consultants, where necessary; and

(f) TA would no longer focus only on the public sector but could be extended to the private sector (including non-governmental organizations).

E. Uganda Capacity Building Plan

1.14 The Capacity Building Plan (CBP) for Uganda provides a coordinated framework of the priority areas where GOU with donor assistance could focus in the short- to medium-term. The preparation of the CBP was preceded in 1990 by a comprehensive sector report on Capacity Building prepared by the Ugandan Government and IDA together with the participation of a number of other donor agencies concerned with capacity building in Uganda. In 1991, Government set up a Capacity Building Secretariat (CBS) in the Ministry of Planning and Economic Development (now merged into the new Ministry of Finance and Economic Planning). This Secretariat was supported by an advance of US$185,000 from IDA’s Special Project Preparation Facility. While being organizationally within one Ministry, the CBS had participation from a number of key ministries, the private sector and the major training and higher educational institutions in the country. The CBS commissioned various local consultancies to study a range of options and possibilities which formed background papers for the development of a Capacity Building Plan for Uganda. The Plan was completed and, in February 1994, approved by the President’s Economic Council. Subsequently, in April 1994, Government held a workshop to present the findings of the plan to donors and to assess donor support for various initiatives described in the Plan.

1.15 The Capacity Building Plan (CBP) identified ten priority areas for enhancing capacity. The project is supporting three of these priority areas: legal and judicial systems; accountancy profession; and local training institutions. The issues in these areas are discussed below. Additional areas of emphasis included under the CBP which are considered key areas of capacity building are: economic policy analysis within and outside Government; manpower planning and linkages to the training function; local management training institutions; return of skilled Ugandans; local consultancy profession; technical and vocational education and industrial training capacity; contribution of women to policy development and management; and non-governmental organizations.

Legal Sector

1.16 The Constitution of Uganda and the Juridicature Act of 1967 constitute the foundation of the Ugandan legal system, i.e. the continued application of the received English law and its co-
existence with the customary law of Uganda. The body of statutory law (i.e. laws made by the legislature) is made up of largely outdated legislation in almost every sector especially laws which affect business, industry and private sector development.

1.17 The problem of outdated laws is exacerbated by the absence of timely and rigorous enforcement of these laws due to weaknesses in the major institutions in the sector. These institutions are the Ministry of Justice and Constitutional Affairs (MJCA), the Constitutional Commission, the Human Rights Commission, the Law Reform Commission and the Law Development Centre; the Law Council; the Judiciary, the Resistance Council Courts (which are a parallel system of courts which exist with respect to lower level courts) and the police. In general the sector is confronted with the following problems: insufficient staffing of lawyers, paralegal and secretarial staff; outdated office equipment and technology and the lack of proper office facilities; absence of in-service and other training programs; absence of easily available documentation with regard to the Laws of Uganda (which were last published in 1964) and the latest Court decisions (Law Reports were last published in Uganda in the early 1970s); and lack of office supplies. One of the actions that Government has undertaken in the recent past to demonstrate its commitment to reforming the sector is to significantly increase the salaries of professional lawyers as of July 1994. It is anticipated that the increased salaries would appropriately complement the inputs provided under the project and hence there should be a substantial impetus to project viability and sustainability.

1.18 Donor Assistance. Assistance in addressing the problems in the legal sector has been forthcoming on a limited basis from DANIDA, ODA, USAID and the Austrian Government. It has been mostly directed towards the provision of office equipment, vehicles and books, the upgrading of selected physical facilities, especially courts, and the supply of expatriate technical assistance to fill vacancies.

Accountancy Profession

1.19 The development of accounting in Uganda has fallen behind the rest of Africa due to the past lack of support from the Government of Uganda (GOU) in the formation of the accounting profession and in the development of a local professional qualification. Uganda has a very small accounting profession, with less than 100 professionally qualified accountants and a similarly serious shortage of accounting technicians. The demand for accountants is very high, but because of the small numbers most accounting jobs are filled by staff with no formal accounting qualifications who may not be capable of carrying out the tasks assigned to them. In Government, the lack of qualified staff is exacerbated by the low remuneration and consequently, Government has been unable to produce its own accounts on time.

1.20 As a result of the mismatch between supply and demand, there is a heavy demand for accounting education in Uganda and the only accounting courses currently offered in the public sector are heavily oversubscribed. The only professional accounting qualification available to Ugandans are foreign ones: i.e., a Kenyan Certified Public Accountancy qualification or a UK qualification; either qualification requires expenditure of large amounts of foreign exchange. Further, the taxation and legal systems which are studied as part of the Kenyan and UK qualifications are not relevant to Uganda and due to unfamiliarity with these systems, Ugandan students achieve a lower pass rate in both examinations.
1.21 In recent years, the GOU has realized that the development of accounting is important for the economy. As a first step, it sought donor support in the form of discrete projects aimed at improving the skills of specific cadres (i.e. accountants and auditors) within Government. Donor support in the development of the profession and a local examination has consisted of two studies both funded by ODA which laid out the next steps required in developing the profession and an examination. Based on the findings of the above studies, the accountancy profession worked with GOU to legislate the necessary changes. In 1992, Parliament passed the Accountants Statute which established the Institute of Certified Public Accountants of Uganda (ICPAU) to regulate the profession and maintain standards, and the Public Accountants Examinations Board to conduct accounting examinations. Unfortunately, during the passage of the Bill through Parliament, some changes were introduced which have led to continuing disputes regarding the membership of the Institute. The Statute allows for two categories of members: full and associate with only full members allowed to vote at the Annual General Meeting and be elected to the Council of the Institute. Hence, while the Statute provides plenty of reassurance for all those currently engaged in the practice of accounting that they would be able to continue to do so, it provides for a separate category (i.e. full members) who would be expected to lead the profession.

1.22 As with similar Acts, the Statute contains a list of bodies whose members could be admitted into full membership, without the need to take any additional examinations. This list was initially restricted to internationally recognized qualifications of professional accountants in other countries. However, during the passage of the Bill through Parliament, four other bodies were added on the list, three of which are not associations of professional accountants. Of particular concern to professional accountants was the inclusion of the Institute of Chartered Secretaries and Administrators since, while qualified in the field of their specialization, the Chartered Secretaries training does not prepare them to be professionally qualified accountants. Further, since there are more Chartered Secretaries in Uganda than professionally qualified accountants, if admitted as full members they could have dominated the Institute. Not being led by professional accountants could have seriously hinder the development of the accounting profession in Uganda as well as reduced the possibility of the Ugandan qualification being internationally accepted.

1.23 GOU has recently amended the Statute to exclude the three professional associations of concern to the professional accountants, i.e. Association of International Accountants of UK, the Institute of Chartered Managers and Administrators and Institute of Chartered Secretaries and Administrators. This has allowed the ICPAU to hold its first Annual General Meeting and to elect its Governing Council. These actions had been required prior to negotiations in order to ensure IDA support to the Accountancy profession.

Training

1.24 Training of Civil Service staff has in the past been undertaken in an ad hoc manner. There has been no overall training plan for GOU staff and a large proportion of the training has been undertaken through donor funding, often in the context of specific projects. Further, the past approach to the improvement of training delivery in Uganda has focused upon improving the available supply of training. Specific institutions were chosen and assisted, primarily by donors, through provision of: civil works, equipment and technical assistance (including twinning arrangements), overseas training and study tours. This approach has had two main shortcomings. First, public and private sector entities which constitute the demand for training have had only a marginal input into the structure of courses being provided by the training institutions. The only choice available to these institutions has been to send their staff to the available local training or
send their staff outside Uganda at a higher cost to be trained in more relevant skill areas. The lack of market orientation was due to a low impetus for cost recovery. Since the training institutions were being funded directly by Government or donors, the need to get revenues from the trainees was not an overarching objective. This in turn meant that tailoring courses to trainee needs and improving capacity utilization were not important priorities. Hence, the available local supply of training determined the demand for local training rather than the demand for training determining the supply of training. Second, other than the few institutions supported by donor funding, there was been no broad based development of local training institutions since there was no functioning market for matching demand and supply of training. Further, the existing training institutions, which received direct subsidy from Government and subsidies in kind from donor funded civil works, equipment, etc. were able to offer lower prices than the smaller institutions.

F. IDA's Previous Role and Lessons Learned

1.25 Over the last seven years (1987-1993), Government has received significant assistance from IDA. IDA's Second Technical Assistance Project (FY84-92) and Third Technical Assistance Project (FY87-94) had as their prime objective the strengthening of the core agencies of Government: the Ministry of Finance, the Ministry of Planning and Economic Development and the Central Bank. There were some important lessons learned from these two successful technical assistance projects which were incorporated into the follow-on Economic and Financial Management Credit (FY93): subprojects/interventions were targeted to areas closely coupled with the ongoing reform effort and were in some cases upstream sector work for further reform efforts; and TA was designed and implemented with utmost flexibility, consistent with the Development Credit Agreement, which required greater amounts of supervision.

1.26 The approach utilized in the proposed project for the upstream activities which precede project preparation is similar to the successful approach under the earlier projects. First, the upstream sector work was undertaken at an early stage and in a collaborative manner with GOU and other interested donors. Second, the problems/issues identified were prioritized into key areas to be addressed in the process of developing the Capacity Building Plan. From the overall list of GOU's priorities, IDA selected a few areas of assistance. While building upon the successful accomplishments of the past projects, this project's emphasis has shifted for two reasons. First, the focus has shifted from addressing areas requiring immediate improvement to strengthening local institutions/building capacity for the future. The magnitude of the problems and the need to reestablish critical functions had required a focus on immediate results and resulted in significant use of expatriate assistance. The situation having stabilized, it is now appropriate to widen the focus from short term problem solving to building indigenous capacity, i.e. developing lasting systems and skills. Second, given the decentralization of activities to the district level, the project has expanded its focus to include local governments.

1.27 Linkages with other IDA operations. The EFM Project (FY93), which is currently underway, is assisting in the restructuring of the now combined Ministries of Finance and Planning and the integration of Government's key planning and financial systems; helping to develop the newly created Uganda Revenue Authority, and completing the reorganization of practices and procedures at the Central Bank. The EFM Project has two components which have linkages with the proposed project. First, the District Reviews being conducted by Government have been supported. Second, other activities under implementation will also have an impact: systems and procedures for central personnel and financial management will provide an important underpinning for decentralized systems; and some funds have been allocated for a program to commence
implementation of and train staff for decentralized personnel and financial systems. The Second Structural Adjustment Credit (FY94) also has some conditionalities related to the Civil Service Reform program, i.e. satisfactory progress towards the monetization of benefits and the implementation of action plans for restructuring of five ministries constitute second tranche release conditions.

1.28 Parallel Financing. Over the last two years there has been considerable donor activity in the areas of capacity building. Various donors have been involved with different elements of capacity building including: DANIDA (with judiciary and decentralization reforms); USAID and ODA (judiciary); and UNDP (CSR and NGOs); and EEC (human resource development). In addition, the Civil Service Reform program has broad based support from several donors including UNDP, ODA, Austria, Denmark, Netherlands, Norway and Sweden who have funded costs of restructuring the Civil Service and downsizing the central ministries.

G. Rationale for IDA involvement

1.29 The project is closely linked with the objectives of the Bank Group Country Assistance Strategy, which is to help the country reduce poverty by: (a) maximizing labor-intensive economic growth; (b) strengthening economic and social infrastructure; (c) supporting human resource development; and (d) enhancing provision of public services with emphasis on ensuring that these services reach the poor and vulnerable groups. The strategy is designed to be both gender and environmentally sensitive and is consistent with the maintenance of macroeconomic stability.

1.30 The project focuses on three of the key areas of the Country Strategy, i.e. enhancing the provision of public services; supporting human resource development through capacity building; and improving economic growth. As capacity building is being extended to local governments at the district level and below, this is likely to improve resource mobilization and management and consequently enhance service delivery at the level at which most of the population (and the poor) live in Uganda. The project's secondary focus is on developing the legal and financial accountability frameworks for public and private sector development. The focus on training in implementation skills would also contribute towards raising the standards of public administration while supporting the development of stronger private sector institutions.
II. THE PROJECT

A. Project Objectives

2.1 The objectives of the project are to establish greater local institutional and human capacity to develop and implement public policy and support the growth of the private sector through: (a) support for the continuation of the Civil Service Reform; (b) assistance to the Government of Uganda in its decentralization program; and (c) strengthening the legal and financial accountability framework and institutions.

B. Summary Project Description

2.2 The project will consist of five components as described below:

(a) Central Government Capacity Building Component (US$6.62 million): would continue support to the Civil Service Reform program (which is currently being provided through the EFM Project). Assistance would be provided for: streamlining of the civil service, improving the transparency of personnel management and focusing the civil service on efficient and effective service delivery.

(b) Local Government Capacity Building Component (US$12.74 million): would support Government's ongoing decentralization program through assisting in defining and implementing an appropriate system of inter-governmental finance. It would continue the process of strengthening local government financial and personnel management structures, systems and procedures. It would assist in improvement in service delivery through the introduction of Results Oriented Management to local Governments and through basic retooling, i.e. minor civil works and equipment.

(c) Legal Sector Reform Component (US$8.24 million): would strengthen the legal framework for private sector development, improve availability of legal decisions, support strengthening of major institutions in the legal sector (such as the Ministry of Justice and Constitutional Affairs and Judiciary) and introduce improvements in legal education and training.

(d) Accountancy Profession Component (US$0.98 million): would support the development of the professional association (the ICPAU), the establishment of a local professional qualification and examining capability and the introduction of local accounting and auditing standards.

(e) Training Funds Component (US$7.02 million): would pilot a demand driven process of providing funds on a cost sharing basis to public and private sector institutions to acquire their training needs for implementation skills from the local market. It would also assist selectively identified weak training institutions with potential for improvement through staff training and acquisition of study materials and equipment on a cost sharing basis.
C. Detailed Project Description

Central Government Capacity Building

2.3 As has been described in part C of Section I, substantial efforts have been made by Government to implement a CSR program. The support to this CSR program would continue by bringing several ongoing activities to completion and developing the next stage of the reform process. The component would continue assistance in streamlining of the civil service, improving the transparency of personnel management and focusing the civil service on efficient and effective service delivery.

2.4 Support to the streamlining of the civil service would be provided at two levels. First, the overall program being managed through the Ministry of Public Service (MPS) would be supported especially through:

(a) improving central personnel management systems;

(b) supporting key bodies and staff undertaking a civil-service-wide classification of personnel from the perspective of identifying candidates for termination as a result of restructuring/redundancy activities;

Second, at the level of individual ministries, the project would:

(c) support the implementation of ministerial restructuring plans (or Ministerial Reviews) for sixteen ministries; the restructuring of the remaining five ministries is already underway. Further, since the restructuring plans do not incorporate the impact of decentralization, the project would support work to redefine and harmonize the new structures and establishment for the Central Government based on the approved structure and staffing of the districts as contained in the district restructuring plans (or District Reviews); and

(d) Ministry level personnel management functions would be strengthened.

2.5 The second area of focus would be in improving the transparency of personnel administration. Specifically:

(a) Improved personnel management practices would be established, i.e. a new salary structure would be established by July 1996. Other key activities would include introduction of Civil Service examinations and issuance of revised Standing Orders and introduction of a Performance Recognition System.

(b) To support the move towards greater transparency, all Civil Servants will be expected to adhere to a new Code of Conduct which would be developed and issued by July 1996.

(c) To ensure compliance with the new procedures, the MPS Department of Inspection would be strengthened primarily through development of inspection procedures and staff training.

2.6 The focus on effectiveness will come through introduction of Results Oriented Management (ROM) which will focus civil servants on service delivery through the achievement
of definite objectives within specified time targets. The project would support a baseline Service Delivery Survey for Central Ministries which would collate data on quantifiable outputs and user perception surveys. This would establish the reference point for future measurement and be used to develop performance standards for each Ministry. These standards would then be introduced as part of GOU’s budgeting procedures from the 1996/97 budgeting cycle to link service delivery with budgetary provision.

2.7 The focus on efficiency will come through improvement in two important support services underlying service delivery, i.e. facilities management and records management.

(a) **Capacity for Facility and Physical Assets Management.** A study of the best approach to managing physical facilities, i.e. buildings, physical plant and equipment would be undertaken. The study would also review the utilization of Ugandan Government physical facilities abroad, recommend the optimal size of such facilities and approaches to managing them. The new policy would be implemented as part of the GOU’s budgeting procedures commencing from the 1997/98 budgeting cycle.

(b) **Strengthening of the Records Management Function.** The project would complement ongoing activities being undertaken through ODA funding. These activities have and would continue to focus on defining an overall policy framework and records management policies and procedures and assisting in the timely access to information in several ministries. The project would complement the program by providing staff training and assisting in the establishment of a National Records Centre.

2.8 **Training.** A substantial portion of the training for the Civil Service would be undertaken through the Training Funds component. However, two critical activities would be funded under this component, i.e. development of training plans and senior management training.

2.9 A detailed description of the Central Government Capacity Building component is provided in **Annex 7.**

**Local Government Capacity Building**

2.10 This component would continue the process of assisting local governments through the Ministry of Local Government (MLG) to improve their abilities to properly manage and administer responsibilities entrusted to them and thus improve the quality of service delivery in a viable and sustainable manner. It would complement assistance already being provided by DANIDA.

2.11 **Inter-Governmental Finance.** The project would assist in the definition and implementation of an appropriate system of inter-governmental finance. A study of the decentralization of the development budget would be completed by June 1996 and phased decentralization would commence by July 1997. A study would also be undertaken to propose establishment, capitalization and management of a revolving development fund; this study is projected to be completed by June 1996 and a GOU position statement on its findings is to be issued by December 1996. Recognizing the evolving agenda and the consequent need for flexibility in defining the program, funds have also been provided for specific activities to be defined at a later date.
2.12 **Strengthening of financial and personnel management structures, systems and procedures.** This would include computerization of accounts, preparation of final accounts and preparation of resource endowment profiles. The project would provide support to computerization of the decentralized payroll and decentralized records management and the redesign of the pension system. The credit would also support training in basic computer skills and records management; a substantial portion of other training (sensitization and skills development) would be undertaken through DANIDA funding and from the EFM Project. The key outcomes are expected to be: (a) the preparation and auditing of local government accounts within the six months time limit prescribed in the Local Governments Statute. By March 1996, twenty seven districts are expected to be in compliance and by March 1997 all thirty nine districts are expected to be in compliance with the Statute; and (b) by July 1995, consolidated payroll processing of all District Administration staff and staff formerly employed by the Central Government would be undertaken by the Uganda Computer Services on behalf of the districts. Further, it is projected that between July 1996 and June 1997 the districts would implement a decentralized management of payroll.

2.13 **Results Oriented Management.** The credit would support the introduction of ROM at the district level in a manner similar to that envisaged for the Central Ministries (para. 2.6). Training in planning at the district level would also be supported. ROM is expected to be incorporated into Local Government budgeting procedures commencing with the 1996/97 budget cycle.

2.14 **Retooling,** i.e. the basic improvements required to establish a reasonable level of physical infrastructure for the district administrations would be supported; existing structures would be refurbished to provide modest office out of which District Administrations could operate. Essential inputs (e.g. office and computing equipment and furnishings) would also be provided.

2.15 The project would also provide modest financing for the transportation needs of districts related to revenue collection and monitoring and supervising district-wide activities. The cost of the vehicles would be *completely recovered* from the districts over a five year repayment period and deposited into a Revolving Fund dedicated for purchase of vehicles. The cost recovery approach is expected to encourage the districts to choose the lowest cost solutions for their needs. This scheme is expected to commence by January 1996.

2.16 A detailed description of the Local Government Capacity Building component is provided in Annex 8.

*Legal Sector Reform Component*

2.17 This sector has received only limited assistance to-date without an overall coordinated approach to developing the sector. GOU has developed, in the context of the Capacity Building Plan, an overall program for reforming the sector. IDA’s support and the assistance provided under this project is focused upon the commercial aspects of law and on the settlement of civil disputes as required by IDA’s current policies which take into account the fact that its primary mandate is economic development. The specific areas to be supported through the project are described below and the project component will be coordinated through the MJCA.

2.18 **Legal Education, Training and Accreditation of Lawyers.** The current system of legal education in Uganda is based on the recommendations made by the Gower Commission in 1969. Under this system, after completing the substantive study of the law, all prospective lawyers in Uganda have to undergo training in professional skills for a period of one year. This training can
only be undertaken at the Law Development Centre (LDC) which limits its intake of students to sixty per year. Over the years, LDC's ability to provide legal training has deteriorated considerably. As LDC has struggled to meet its statutory obligations for pre-service training and law research and reporting, it has been unable to dedicate any significant level of resources to Continuing Legal Education (CLE) for the profession. This situation has been exacerbated by the absence of any mandatory requirements for CLE for lawyers as a requirement to maintain their ability to continue in practice. In order to ensure that these needs are satisfactorily addressed, a substantial change in the delivery of legal education and training in Uganda is required. As a first step, the project is funding a study to evaluate the existing status of legal education in Uganda with a view to finding ways and means of making it more relevant and responsive to the changing conditions in the country. Taking into account the findings of this study, GOU will adopt a satisfactory policy on legal education. GOU furnishing a statement defining its Policy on Legal Education is a condition of disbursement for the legal sector component.

2.19 Law Revision and Reform in Uganda. These are two related activities which are separate but have several linkages. Law revision is the process of consolidating various Laws of Uganda into a series of volumes with the objective of making these Laws readily available to various participants in the legal process. Law reform is the amendment of specific laws from the perspective of modernizing these laws within the socio-economic context prevalent in Uganda and removing impediments to Government’s stated objective of making the private sector the focal point for growth in the economy. The Law Revision exercise would be undertaken through parallel donor financing (USAID to fund the consolidation of laws and ODA to fund the printing of the laws). This component would focus upon law reform to assist in Private Sector Development. The prioritization of laws requiring reform was undertaken; the private sector was consulted through a one-day workshop which was held in Kampala in October 1994. The prioritized list of laws identified for reform during the period of project implementation was subsequently agreed with IDA. The necessary draft laws are to be prepared, published as bills and submitted for the legislature’s consideration by July 1996. Assistance would also be given to reform of the Domestic Relations laws which primarily impact on the rights of women and have bearing on the position and treatment of women within society and their ability to engage independently in constructive commercial/economic activity. The draft Domestic Relations Bill is to be presented to the legislature for consideration by December 1996.

2.20 Law Reporting. The Ugandan legal system is based on common law which has a legal theory that is deeply rooted in the precedent system. In the past, there has been no systematic law reporting which has handicapped advocates, prosecutors and judges who require readily available information on precedents in order to perform their duties. The main series of Uganda Law Reports is presently out of production; the backlog dates back to 1958 although between 1971-1973 three volumes were produced which are also currently out of print. In the absence of funding to produce the law reports, a shorter abstract of the decisions made by the Supreme and High Courts is currently being published; even this is out of date with its last edition having been published in 1991. The preparation and publication of Law Reports would be supported by the project and the backlog of over three decades would be removed.

2.21 Institutional Strengthening of MJCA and Judiciary. The institutional weaknesses besetting the administration of justice result in delays in the handling of cases thus causing backlogs at all levels of the courts. The waiting period for a case awaiting disposal ranges from two to six years. Record keeping and retrieval of files is entirely manual and inefficiently organized such that it takes a number of days in some instances, to locate the right file. For private sector development,
speed, transparency and consistency is required in the disposal of commercial litigation in addition to the modernization of laws. Institutional strengthening would be undertaken by providing: substantial staff training, access to legal information, i.e. law books, updated and revised Laws of Uganda and the latest case law as embodied in the Uganda Law Reports, and increased access to inputs necessary to accomplish the job.

2.22 Improving Service Delivery and Increasing Cost Recovery for Legal Sector Services. There are certain services provided by the MJCA where there is potential to improve service delivery and increase cost recovery thereby increasing resources available to the legal sector. The project would commence with two departments where this is immediately feasible, i.e. the Administrator-General’s Department (AG) and the Registrar-General’s Department (RG). The AG’s Department is charged with administering deceased persons’ and insolvent estates, and also acts as a Public Trustee for minors and legally incapacitated persons. The RG’s Department is responsible for registering all businesses and companies, births, deaths, etc, and intellectual property such as patents, copyrights and trademarks. Based on the Ministerial Review for the MJCA, Government has decided to devolve both departments from the Ministry and to establish them as separate entities. Both departments partially recover the cost of service provision; the AG recovers a fee of 1% at the time of the distribution of funds from the estate and the RG charges for services although a substantial portion of its revenue is attributable to stamp duty. Both departments have seen their workload increasing; current revenue generation consists of 913 million U Sh in 1993 for the AG’s Department and 486 million U Sh for the RG’s Department.

2.23 There is considerable scope to improve service delivery in both Departments especially outside Kampala which would in turn affect both timeliness and quality of services at the district level. Studies are underway for both departments to assist in (a) preparation of Business Plans; and (b) determination of appropriate cost recovery measures for both departments. For both the offices of the Administrator-General and the Registrar-General, the provision of satisfactory business plans covering at least the first three years of operation are a condition of disbursement.

2.24 A detailed description of the Legal Sector Reform component is provided in Annex 9.

Accountancy Strengthening Component

2.25 GOU having undertaken the preliminary steps necessary for the establishment of the Governing Council of the ICPAU, the Institute can now proceed to undertake some important steps to determine the future course of development of the profession. Consequently, the conditions of disbursement for the Accountancy Strengthening component, would be: (a) appointment of the Secretary of the ICPAU; (b) the Council of the ICPAU furnishing to IDA a satisfactory business plan covering at least the first three years of operation; and (c) GOU and the ICPAU concluding a Subsidiary Grant Agreement.

2.26 The component would be implemented and would support the accountancy profession by:

(a) assisting the Institute of Certified Public Accountants to commence operations and fulfil the following functions: managing membership of its professional and student base, ensuring the maintenance of professional standards amongst members, promoting the usage of internally accepted accounting and auditing standards in Uganda and securing
international recognition of the Institute. The accounting and auditing standards are to be completely published by June 1998.

(b) developing a local professional qualification and associated examination. This would include design of a scheme of examinations, with detailed examination syllabi and reading lists, and preparation and moderation of examination papers. It is expected that the first intake of students will commence by September 1996 and the first examinations will be held by June 1997.

(c) commencing the process of providing Continuing Professional Education and training to members of the profession.

A detailed description of the Accountancy Strengthening component is provided in Annex 10.

Training Funds Component

2.27 This component will pilot a system to strengthen: implementation skills in the public and private sectors; and public and private sector training institutions through the provision of limited assistance on a competitive basis. The component will consist of two Training Funds which would be managed by the Capacity Building Secretariat (CBS) in the MFEP:

(a) The Public Sector and Private Sector Matching Grant Fund (Fund I). This fund would provide matching grants to public and private sector institutions for training of their staff. For Central Ministries and Districts, Fund I would provide 90% of the resources with 10% of the resources being provided by the Government entities; actual cost funded by government entities would be higher since travel and subsistence allowances paid to trainees during training would not be funded under this component. Private sector organizations would access Fund I through trade/industry associations; the cost sharing arrangement would be 50% of the costs of training to be provided by the private sector and 50% to be provided by Fund I. The fund would acquire training needs through a transparent and competitive bidding process which will allow all local training institutions, both publicly funded and private, to participate in service delivery.

(b) The Training Suppliers’ Strengthening Matching Grant Fund (Fund II) would be available to selectively identified weak training suppliers which have potential and which would be assisted in improving their service delivery capacity. Each training supplier could receive assistance for staff training (up to 90 per cent of cost), acquisition of training related study materials and books (up to 50 per cent of cost) and equipment (up to 25 percent of cost). The assistance to each institution would not exceed US$25,000.

2.28 The CBS will also manage a component of the EFM Project (Assistance to the Economic Recovery Program) which has been used largely to acquire critical training needs within Government. This program has been successful and funds have been drawn down at a rate faster

---

1 It is important to note that some Government ministries and districts would receive separate training under other components which is required for the successful implementation of those components. If such Central ministries or districts require additional training, they can participate under this Fund on the prescribed cost sharing basis.
than projected at the appraisal of the EFM Project. The proposed project provides additional funds to finance the program through the end of financial year 1998.

2.29 Phasing of Implementation. Implementation is phased because the CBS which will manage this component and also be responsible for project administration (para. 2.44) will have to be rebuilt. Though it has been in existence from 1991, it has been an ad hoc body and its members have full time duties elsewhere. The process has commenced with GOU appointing its Task Manager for the project as the Head of the CBS. The recruitment process for the group managing the Training Funds component (i.e. a Component Manager and a Senior Training Officer) is also underway. Once appointed, the staff will familiarize themselves with the training processes during a pre-operational phase, i.e. before the component begins disbursing funds. The CBS staff will work closely with the Ministries of Public Service and/or Local Government as these Ministries procure two rounds of training for the Central Government or Local Government Capacity Building components using the demand based procedures to be used under the component. The CBS will then use this experience by managing one round of procurement of training for the Legal Sector Reform or Accountancy Strengthening components. At the same time, the Training Fund implementation guidelines would be reviewed based on the experience in Uganda and other African countries where similar approaches are being attempted.

2.30 Consequently, the condition of disbursement for the Training Funds Component would be agreement between GOU and IDA that: (a) the CBS staff have demonstrated capability to implement the Training Funds component through (i) participation in the procurement of at least two rounds of training under the Central or Local Government Capacity Building components and (ii) satisfactory management of at least one round of training under the Legal Sector Reform or Accountancy Strengthening components; and (b) the detailed guidelines in the Implementation Manual pertaining to the implementation of the Training Funds component would have been reviewed and, if warranted by the review, amended in the light of experience. It is expected that, based on the projected schedule for hiring and training the Training Fund Component staff, that the component would meet its condition of disbursement no later than July 1, 1996, i.e. about one year after project effectiveness. Assurances were also received at negotiations that a special review of the operations of the Training Funds component would be undertaken after the end of the first year of operation of that component.

2.31 A detailed description of the Training Funds component is provided in Annex 11.

D. Participatory Approach to Project Preparation

2.32 The involvement of the Ugandan counterparts in all aspects of project processing has been an integral part of the capacity building envisaged under the project. The involvement began upstream; the sector work was prepared by GOU, IDA and other interested donors in a collaborative manner. Subsequently, IDA also financed GOU’s activities related to the establishment of the Capacity Building Secretariat and the preparation of the Capacity Building Plan. Upon the commencement of project preparation, GOU appointed a team (headed by a Task Manager) which has been responsible for all aspects of project preparation and which will also be responsible for project implementation. The GOU team has representatives from all the Ministries involved in the project (i.e. Ministries of Finance and Economic Planning; Public Service; Local Government; and Justice and Constitutional Affairs) and from the Institute of Certified Public Accountants of Uganda. Appraisal commenced with the arrival of this team in Washington D.C. in June 1994 and was completed with the visit of the IDA project team to Uganda in August 1994.
The Ugandan team, having been substantially involved in the preparation of the Yellow Cover Staff Appraisal Report, participated in the Bank’s (Yellow Cover) Review Meeting held in November 1994.

E. Project Cost and Financing Plan

2.33 The program cost is estimated at US$42.19 million equivalent (U Sh 38.99 billion) inclusive of US$1.85 million of taxes and duties, out of which the proposed credit would finance US$36.35 million equivalent. The foreign exchange component of the program is estimated at 44% of the total cost. Base cost estimates, US$36.29 million are in August 1994 prices. Physical contingencies on the project are estimated at US$2.91 million (8% of project costs). Price contingencies are estimated at US$2.99 million (8% of project costs); for foreign costs, the Unit Value Index of Manufactured Exports (MUV Index) of 2.2 per cent has been utilized and for local costs, projected local inflation rates have been utilized. The project is expected to be completed by June 30, 2000 and close by December 31, 2000.

2.34 A summary of estimated costs is presented in the following table:

<table>
<thead>
<tr>
<th>Component</th>
<th>Local</th>
<th>Foreign</th>
<th>Total</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Government Capacity Building</td>
<td>3.69</td>
<td>2.93</td>
<td>6.62</td>
<td>44%</td>
</tr>
<tr>
<td>Local Government Capacity Building</td>
<td>6.89</td>
<td>5.85</td>
<td>12.74</td>
<td>46%</td>
</tr>
<tr>
<td>Legal Sector Reform</td>
<td>2.74</td>
<td>5.49</td>
<td>8.24</td>
<td>67%</td>
</tr>
<tr>
<td>Accountancy Strengthening</td>
<td>0.62</td>
<td>0.36</td>
<td>0.98</td>
<td>37%</td>
</tr>
<tr>
<td>Training Funds</td>
<td>5.31</td>
<td>1.71</td>
<td>7.02</td>
<td>24%</td>
</tr>
<tr>
<td>PPF Refinancing</td>
<td>0.35</td>
<td>0.15</td>
<td>0.50</td>
<td>30%</td>
</tr>
<tr>
<td>SPPF Refinancing</td>
<td>0.19</td>
<td>-</td>
<td>0.19</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total BASELINE COSTS</strong></td>
<td>19.80</td>
<td>16.49</td>
<td>36.29</td>
<td>45%</td>
</tr>
<tr>
<td>Physical Contingencies</td>
<td>1.43</td>
<td>1.49</td>
<td>2.91</td>
<td>51%</td>
</tr>
<tr>
<td>Price Contingencies</td>
<td>2.45</td>
<td>0.54</td>
<td>2.99</td>
<td>18%</td>
</tr>
<tr>
<td><strong>Total PROJECT COSTS</strong></td>
<td>23.67</td>
<td>18.52</td>
<td>42.19</td>
<td>44%</td>
</tr>
</tbody>
</table>

Note: Figures may not add due to rounding.

2.35 Government Counterpart Funds. The proposed IDA credit of US$36.35 million equivalent will finance 90% of project costs net of duties and taxes over a four-year period. The local contribution made by Government will be for an estimated amount of US$4.88 million.
2.36 As part of a Public Expenditure Review process which commenced in 1992, Government has been classifying all development projects into core and non-core categories. Core projects are expected to receive full funding for the estimated local counterpart contributions on a monthly basis. Over the last two years, this system has worked well. In FY94, for example, core projects received on average 93% of their local counterpart funds. Since the proposed project is expected to be classified in the core category due to its priority nature, it is expected to receive its budgeted local funds in their entirety. At negotiations, assurances were received that GOU would establish project accounts into which it would make the required local cost contributions to the project through its established system of monthly release of funds. GOU depositing the Uganda Shilling equivalent of US$50,000 into the project accounts is a condition of credit effectiveness.

2.37 Private Sector Contribution. The private sector will participate in the financing of the project in the training component. Under Fund I, private sector institutions receiving training for their employees will contribute 50% of the cost of the training. Under Fund II, institutions receiving strengthening will fund 10% of training of trainers, 50% of study materials and books and 75% of cost of equipment. The private sector will contribute US$0.96 million of financing towards the project.

2.38 Parallel Financing. There are several donor initiatives which will run parallel to this project and for which close coordination is being undertaken. DANIDA has projects which support the Government’s decentralization program and also a project to provide support to the judiciary. ODA has programs supporting the judiciary, records management in the Central Government and is committed to funding printing of the Revised Laws of Uganda. UNDP will finance some elements of the Civil Service Reform Program and is preparing a project for building capacity of Community Based Groups. USAID plans to finance the law revision activities which will constitute preparation of the Revised Laws of Uganda.

2.39 The proposed financing plan is set out in the following table:

Table 2: Financing Plan (in US$ million)

<table>
<thead>
<tr>
<th></th>
<th>US$ m</th>
</tr>
</thead>
<tbody>
<tr>
<td>IDA</td>
<td>36.35</td>
</tr>
<tr>
<td>GOU</td>
<td>4.88</td>
</tr>
<tr>
<td>Private Sector</td>
<td>0.96</td>
</tr>
<tr>
<td>Total</td>
<td>42.19</td>
</tr>
</tbody>
</table>

F. Project Implementation

2.40 The primary modality for implementation is to utilize existing government staff and structures. Where external assistance would be sought, the first recourse would be to the local consulting industry. If an assessment were made that the domestic capability was not available to
implement the project, international firms would be invited to participate in project implementation, preferably in a consortium with a domestic firm.

2.41 **Overall Coordination, Administration and Supervision.** The overall management structure for implementation and supervision of the project is shown in Annex 6. Coordination and supervision of project components will be the responsibility of the Project Steering Committee (PSC). The PSC which is to be established within sixty days after credit effectiveness, will be chaired by the Permanent Secretary/Secretary to the Treasury and also consist of the Permanent Secretary, Ministry of Local Government; Permanent Secretary/Solicitor General; Secretary to the Administrative Reform Commission, Ministry of Public Service; and the President of the Institute of Certified Public Accountants of Uganda. A Technical Committee, which has been established for project preparation, will continue to be responsible for project implementation and will report to the Project Steering Committee. The Technical Committee would be chaired by the GOU Task Manager and its membership would consist of the Component Managers for all five components. The Capacity Building Secretariat will be the unit supporting the Technical Committee.

2.42 The project administration structure closely mirrors existing structures within Government. Hence, the staff in MPS involved with the Civil Service Reform program would manage the Central Government Capacity Building component and those involved with the Decentralization Program in the MLG would manage the Local Government Capacity Building component. For the Training Funds and Accountancy Strengthening components, existing staff and structures are utilized but, taking into account their current lack of capacity, the project undertakes to strengthen these further. The Legal Sector Reform component is the only one where a coordinating mechanism is being created in the Ministry of Justice and Constitutional Affairs to undertake the substantive management and coordination of assistance being provided to various entities in the legal sector.

2.43 Each component will have a Component Manager who will be responsible for supervising the substantive aspects of the project. To help the Component Managers and the Project Office fulfill their roles effectively, a draft Implementation Manual was prepared as part of the appraisal process and the initial draft of the Implementation Manual for the project including Action Plans for all components were received by IDA prior to negotiations. The receipt by IDA of a revised draft of the Implementation Manual including Action Plans for all components was a condition of Board presentation. The receipt by IDA of the final satisfactory Implementation Manual and Action Plans for all components for the first year of the project is a condition of credit effectiveness. This Manual would contain: all agreed task (including TORs, procurement items and training needed to implement the tasks) and procurement, consultancy and training procedures; implementation timetables; and formats for quarterly reporting and annual work plans/programs. Assurances were received at negotiations that the project would be carried out in accordance with the Implementation Manual, satisfactory to IDA, including Action Plans for all components. Assurances were also received that, commencing from the second year of project implementation, the Action Plans would be refined and submitted to IDA as annual work plans (including training plans) no later than the first day of April preceding the financial year covered in the work plan.

2.44 The CBS will have a dual role in the project. It will manage the Training Funds component and will also act as the main project office for the project. The Project Office for the Economic and Financial Management Project will be integrated into the CBS and will provide the administrative support for the project. Given that this office has successfully dealt with three IDA projects over the last several years it has a substantial base of knowledge regarding IDA's
procurement and disbursement procedures that will allow project implementation to have an almost negligible start-up learning curve. A Project Administration group has been established within the Ministry of Local Government and is undergoing training with the objective of developing a capacity within that Ministry to manage future district level projects including the proposed IDA District Development Project (FY97), and to disseminate good procurement practices in the districts. This group would be twinned with the CBS Project Office and it would learn through on-the-job training; it would initially undertake project administration functions under the guidance of the main (i.e. CBS) Project Office and subsequently undertake these independently. A consistent overall approach will be followed to ensure that project records and accounts are maintained and audited in a consolidated manner.

2.45 In line with ensuring appropriate integration among projects, IDA supervision for both the ICB and the EFM Projects will be undertaken by the same Task Manager. The Task Manager will be supported by a multi-disciplinary team in supervising the project. The Resident Mission would be involved in project supervision on an as needed basis at the request of the IDA or GOU Task Managers for the project. Further, during one of the two yearly supervision missions, a donor coordination meeting would be organized by GOU and would be attended by IDA and donors to review the progress of the project.

2.46 The administrative activities to be supported under the project would be largely in the CBS and the Project Office of the MLG; some activities would be supported in the rest of the components. The main administrative responsibilities to be handled by the CBS or the MLG Project office, as appropriate, in consultation with the component managers would be: (a) recruitment and employment of consultants, individuals as well as firms, as requested by component managers; (b) procurement of goods, computers, vehicles, office equipment; (c) management of project accounts and special accounts, including preparation and presentation of withdrawal and replenishment applications for the credit proceeds. In addition, the GOU Task Manager would: (a) ensure that quarterly reports are prepared by the component managers, discussed by the Technical Committee, and then forwarded to IDA; (b) provide assistance to component managers for the preparation of yearly work plans; and (c) manage the secretariat function for the Technical and Steering Committees.

G. Procurement

2.47 Procurement would be undertaken by the main project office in the CBS and the program office which has been established in MLG as discussed in para. 2.44. There is sufficient capacity to undertake procurement in the CBS project office which will include staff currently administering the EFM project and who had earlier been involved with implementation of two other IDA financed Technical Assistance projects in Uganda (the Second and Third Technical Assistance Projects).

2.48 The following civil works, goods, works and services would be procured: (a) under the Central Government Capacity building component, the major services procured would be short-term consultancies and in-country training. Office equipment would be procured and the National Records Center would be constructed and furnished with appropriate records management equipment; (b) under the Local Government Capacity building component, major services procured would be for in-country training and some consultancy studies. Minor refurbishment of district administration offices would be undertaken and vehicles and office equipment and furnishings provided to local governments; (c) under the Legal Sector Reform component, major services
procured would be for preparation of the Law Reports and Law Reform activities. Vehicles and office equipment would also be provided to the MJCA and the Judiciary; (d) under the Accountancy Strengthening component, major services procured would be a twinning arrangement with another Accountancy Association and training for members; (e) under the Training Funds component, major services procured would be training from local suppliers. Equipment and training materials would also be acquired through the Training Supplier Strengthening Fund.

2.49 Bank Group Guidelines would be followed for procurement of goods and consultants and experts for technical assistance. Specifically:

(a) *Prior Review.* All consulting contracts with firms and procurement of civil works and goods over US$50,000 would be subject to prior review. Consulting contracts with individuals would be subject to prior review over US$30,000.

(b) *Method of Procurement*

(i) Contracts for computers, vehicles and office equipment would be combined into minimum packages of US$100,000 and awarded on the basis of international competitive bidding, in accordance with World Bank guidelines.

(ii) Items which cannot be grouped as above valuing less than US$100,000 will be procured by local competitive bidding. For civil works, the aggregate amounts thus procured would be less than US$1,370,000; for goods, the aggregate amounts would be less than US$550,000; and for printing, the aggregate amounts would be less than US$660,000.

(iii) Local shopping (i.e. contracts awarded on the basis of a comparison of price quotations obtained from at least three suppliers) would be undertaken for items or groups of items for goods estimated to cost the equivalent of US$25,000 or less per contract. For goods thus procured, the aggregate amounts would be less than US$240,000 and for printing, the aggregate amounts thus procured would be less than US$740,000.

(iv) All International Competitive Bidding and contracts for internationally recruited consultants will follow the Bank’s standard bidding and contracting procedures.

(c) Procurement of training services under the Training Funds component would follow IDA’s consultant guidelines. Details are provided in *Annex 11.*

In order to ensure that actions on procurement and consultancy activities are advanced at the time of credit effectiveness, draft bidding documents and Letters of Invitation for all major contracts for the first year’s program were provided as a condition of Board presentation. Assurances were also provided at negotiations that standard procurement/consultancy recruitment processing timetables and documents would be utilized during project implementation. The Table overleaf summarizes the major types of procurement to be undertaken in the project.
Table 3: Procurement (in US$ million)

<table>
<thead>
<tr>
<th>Project Element</th>
<th>Procurement Method</th>
<th></th>
<th></th>
<th></th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ICB</td>
<td>LCB</td>
<td>Other</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Civil Works</td>
<td>1.41</td>
<td>1.37</td>
<td>(1.22)</td>
<td>(1.18)</td>
<td>(2.40)</td>
</tr>
<tr>
<td>Goods</td>
<td>9.67</td>
<td>0.55</td>
<td>(9.20)</td>
<td>(0.55)</td>
<td>(9.99)</td>
</tr>
<tr>
<td>Printing</td>
<td>0.66</td>
<td>0.74</td>
<td>(0.33)</td>
<td>(0.37)</td>
<td>(1.00)</td>
</tr>
<tr>
<td>Consultancy Services and Training</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technical Assistance:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>International</td>
<td>3.06</td>
<td>3.06</td>
<td>(3.06)</td>
<td>(3.06)</td>
<td></td>
</tr>
<tr>
<td>Local</td>
<td>6.45</td>
<td>6.45</td>
<td>(6.45)</td>
<td>(6.45)</td>
<td></td>
</tr>
<tr>
<td>Training:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>International</td>
<td>2.53</td>
<td>2.53</td>
<td>(2.53)</td>
<td>(2.53)</td>
<td></td>
</tr>
<tr>
<td>Local</td>
<td>12.02</td>
<td>12.02</td>
<td>(10.39)</td>
<td>(10.39)</td>
<td></td>
</tr>
<tr>
<td>Operating Costs</td>
<td>3.49</td>
<td>3.49</td>
<td>(0.83)</td>
<td>(0.83)</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>11.08</td>
<td>2.58</td>
<td>28.53</td>
<td>42.19</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(10.42)</td>
<td>(2.06)</td>
<td>(23.87)</td>
<td>(36.35)</td>
<td></td>
</tr>
</tbody>
</table>

Note: Figures in parenthesis are the respective amounts financed by IDA; figures may not add due to rounding.

H. Disbursements

2.50 The proposed credit will fund:

(a) 90 per cent of costs for civil works;

(b) 100 per cent of foreign and 90 per cent of local costs for goods except under the Training Funds component where: (i) 50 per cent of the cost of training materials and books acquired under Fund II; and (ii) 25 per cent of the cost of equipment acquired under Fund II would be financed;

(c) 100 per cent of foreign and 95 percent of local costs under consultancy services and training except under the Training Funds component where: (i) for public sector training
acquired under Fund I and staff training under Fund II, 90 per cent of costs would be financed; (ii) for private sector training under Fund I, 50 per cent of costs would be financed;

(d) 50 per cent of costs for printing; and

(e) 20 per cent of foreign and local costs for project staff operating costs and other operating costs.

2.51 The Standard Disbursement Profile for Technical Assistance credits is for a period of seven years. The experience with the management of Technical Assistance projects in Uganda shows a shorter disbursement profile which has been utilized for the proposed project. The Third Technical Assistance Project disbursed in slightly over five years thereby being fully disbursed two years ahead of the project closing date. The Economic and Financial Management Project has disbursed 43% of the credit proceeds during the first two years of project implementation. The proposed project finances activities which are to be implemented largely within the first three years of project implementation. Hence, the five year disbursement schedule presented in the Table below consists of a conservative projection of disbursement patterns.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1st Sem</td>
<td>2nd Sem</td>
<td>1st Sem</td>
<td>2nd Sem</td>
<td>1st Sem</td>
<td>2nd Sem</td>
</tr>
<tr>
<td>Per period</td>
<td>2.00</td>
<td>2.73</td>
<td>2.73</td>
<td>3.63</td>
<td>5.45</td>
<td>5.45</td>
</tr>
<tr>
<td>Cumulative</td>
<td>2.00</td>
<td>4.73</td>
<td>7.46</td>
<td>11.09</td>
<td>16.54</td>
<td>21.99</td>
</tr>
</tbody>
</table>

I. Accounting, Auditing and Reporting

2.52 Management of Project Funds. Funds for the smooth operation of the project would be managed through several types of accounts as described below:

(a) Two Special Accounts would be established in US dollars in a commercial bank in Kampala, on terms and conditions acceptable to IDA as follows:

(i) One Special Account of US$1,000,000 would support activities for all components other than the Local Government Capacity Building component. Funds from this Account could be advanced to two other Accounts for the use of the Ministry of Public Service and the Ministry of Justice and Constitutional Affairs, both of which are likely to have operational expenses that would necessitate quick access to funds. The two Ministries would provide an accounting of expenditures on a monthly basis in order to facilitate the monthly requests for replenishment of the main Special Account. This procedure is already in use between the EFM Project Office and the Ministry of Public Service.
(ii) One Special Account of US$500,000 would support activities for the Local Government Capacity Building component.

(iii) The Special Accounts would be replenished on the basis of monthly withdrawal requests covering aggregated monthly expenditures. Payments of less than US$50,000 for works and goods contracts and for consultancy contracts with firms and payments of less than US$30,000 for consultancy contracts with individuals would be documented through statements of expenditure, with the underlying documentation available for inspection by IDA supervision missions.

(b) Government’s local contributions to the project costs would be made into four project accounts established at a local commercial bank.

(c) In order to ensure clear responsibilities for funds management, funds accessed directly from the IDA Credit would be withdrawn and managed only by the main project office in the CBS.

(d) Funds from both IDA and GOU would be managed to cover project expenditures in accordance with the Development Credit Agreement (DCA) disbursement categories and the percentage of reimbursement.

2.53 The Implementation Manual contains details regarding the methodology to be observed in maintaining project accounts. The form of the audit and the Terms of Reference for annual financial (and operational) audits by independent auditors, satisfactory to IDA are also included. At negotiations, assurances were received that financial and operational audits would be undertaken annually during project implementation; the format of the audit report would be satisfactory to IDA; and audited accounts would be submitted to IDA within six months of the close of the financial year.

2.54 Reporting. Reports on project implementation, summarizing progress achieved, difficulties encountered and changes and adjustments to be made would be submitted quarterly by each participating agency to the Chairperson of the Technical Committee, through the Capacity Building Secretariat. The Committee would meet at least once a quarter to review progress, make appropriate decisions and assign responsibilities for any needed follow up action. The agenda and the minutes of the meetings would be the responsibility of the GOU Task Manager and would be transmitted to IDA, each quarter, after appropriate internal clearances, to assist with project supervision. The Annual Work Program for the next FY and the Annual Report on Project Performance for the previous FY would be considered by the Project Steering Committee, after endorsement by the Technical Committee. The Project Steering Committee would meet at least once every year and endorse/approve the reports prior to onward transmission to IDA. A final implementation completion report would be prepared by GOU during the final semester preceding project completion.

2.55 Reviews. At negotiations, assurances were received that GOU and IDA would jointly conduct a mid-term review for the project within 18 months after project effectiveness but not later than December 1996.
J. Supervision Plan

2.56 The resources required for supervision will tend to be above average since a multi-disciplinary team (consisting of, in addition to the Task Manager, a public sector management specialist, a local government finance specialist, an accountant, a lawyer and a training specialist) would be required. As shown in Annex 5, staff (including consultant) input will be needed for approximately twenty four person weeks in the field per annum. At headquarters, upfront effort will be required which will diminish over the life of the project; approximately an additional twenty four weeks will be required at Headquarters during the first year of project implementation, diminishing to eighteen weeks in the second year and reducing further to twelve weeks thereafter.

K. Environmental Impact

2.57 The project objectives and implementation will have no direct impact on the environment. Minor civil works to be undertaken under the project will consist of building refurbishment.

L. Benefits and Risks

2.58. Sustainability. The project has been designed to support the key elements of Government’s reform agenda (i.e. civil service reform, decentralization and private sector development) and the project components consequently are all considered necessary and have linkages between them. GOU has prepared a Letter of Policy with regard to the various sectors being assisted under the project which summarizes the above policy and legal framework (Annex 1). The receipt of a draft Letter of Policy containing GOU’s proposed policies for the sectors being covered under the project was a condition of negotiation and receipt of the final Letter of Policy was a condition of Board presentation. The overarching policy framework within which the project is set is the GOU Policy on Technical Assistance and the GOU Capacity Building Plan. Further: (a) the Central Government Capacity Building component supports GOU’s Civil Service Reform program which was defined by the PSRRC and for which an administrative structure has been in place for a few years now; (b) the Local Government Capacity Building component supports GOU’s decentralization program as enacted in the Local Governments (Resistance Councils) Statute of November 1993 and for which also an administrative structure is in place; and (c) the Accountancy Strengthening component supports implementation of the Accountants Statute of 1992. The project activities are also expected to be financially sustainable. In the Central Government component, the project will assist in further rationalizing of the staffing complement and assist in developing new policies for non-staffing operational expenditures. For the Local Government component, the project will improve resource mobilization and management. In the Legal Sector component, cost recovery for the Administrator-General and Registrar-General will be an area of focus. For the Training Funds component, which is a pilot program, financial sustainability would need to be addressed at a later stage if the concept is successful in implementation.

2.59 Benefits. The project is expected to provide the following sustainable benefits. In the area of public administration, the project would begin to focus the civil service on service delivery and measurement of outputs provided to the public at large. There would also be increased transparency in salary administration and increased accountability. The project would begin the process of redressing the critical skill shortages in the accountancy and legal areas. These changes, and those that will result from improvements in the commercial code and the operation of the Judiciary should provide a stronger base for private sector development. Additionally, the
emphasis on implementation skills and increased service delivery at the district/rural level, should have a long term beneficial impact on the poor.

2.60 Risks. The underlying assumptions/risks are: (a) GOU’s reform agenda will remain unchanged in the medium-term and that the project is sustainable since it supports and is consistent with GOU policy and legal frameworks for the sectors concerned; and (b) other measures being undertaken outside of this project to support the CSR program will continue (i.e. the move towards the Minimum Living Wage and the voluntary and involuntary retrenchment programs which have been supported by donors). Other risks relate to decentralization which will relieve pressures on limited capacities in the Central Government in the medium-term but in the short-term will exacerbate pressures on the Central Government agencies implementing the reform. Finally, while the disputes in the accountancy profession have been sorted out prior to commencement of the project, some risks remain that a future recurrence may delay implementation of that component.

2.61 The project includes a considered program for mitigating some risks and maintaining active supervision to redress problems should any of the considered risks arise. First, in recognition of the fact that the decentralization agenda is substantial and evolving, provision has been made for a flexible approach to providing consultancy support for specific activities and also for acquiring expert assistance on an as-and-when-needed-basis for the entire life of the credit. Second, implementation risks would be monitored by the GOU team which has sufficient capacity to address emerging issues. The project administration staff and staff involved with implementation of two of the largest components have had previous experience dealing with IDA projects. Third, IDA staff will maintain close liaison through a multi-disciplinary team which would be used to supervise the project and Resident Mission staff would also be involved in project supervision on an as-needed basis at the request of the IDA or GOU Task Managers for the project.
III. AGREEMENTS REACHED AND RECOMMENDATION

A. Events occurring before Appraisal

3.1 The following events occurred before appraisal:

(a) appointment of GOU’s Task Manager and Task Team for the project (para. 2.32).

B. Events prior to Negotiations

3.2 The following events preceded negotiations:

(a) amendment of Accountants Statute 1992 to remove three bodies, i.e. Association of International Accountants of UK, the Institute of Chartered Managers and Administrators (ICMA) and Institute of Chartered Secretaries and Administrators (ICSA) from the Fifth Schedule of the Statute and from the full membership category, holding of the first Annual General Meeting of the Institute of the Certified Public Accountants of Uganda and the election of the Institute’s Governing Council (para. 1.23);

(b) receipt of a draft Policy Letter containing GOU’s proposed policies for the sectors being covered under the project (para. 2.58); and

(c) receipt of the initial draft of the Implementation Manual including Action Plans for all components (para. 2.43).

C. Assurances at Negotiations

3.3 Assurances were received during negotiations that:

(a) the project would be carried out in accordance with a comprehensive Implementation Manual, satisfactory to IDA, including Action Plans for all components. Commencing from the second year of project implementation, the Action Plans would be refined and submitted to IDA as annual work plans (including training plans) no later than the first of April preceding the financial year covered in the work plan (para. 2.43);

(b) GOU would establish project accounts into which it would make the required local cost contributions to the project through its established system of monthly release of funds (para. 2.36);

(c) financial and operational audits would be undertaken annually during project implementation; the format of the audit report would be satisfactory to IDA; and audited accounts would be submitted to IDA within six months of the close of the financial year (para. 2.53);
(d) GOU and IDA would jointly conduct a mid-term review for the project within 18 months after project effectiveness but not later than December 1996 (para. 2.55);

(e) a special review of the operations of the Training Funds component would be undertaken after the end of the first year of operation of that component (para. 2.30); and

(f) standard procurement/consultancy recruitment processing timetables would be utilized during project implementation (para. 2.49).

D. Conditions of Board Presentation

3.4 The following were the conditions of Board presentation:

(a) the receipt of a Policy Letter containing GOU’s policies for the sectors being covered under the project (para 2.58);

(b) the receipt of a revised draft Implementation Manual for the project including Action Plans for all components (para. 2.43); and

(c) receipt of draft bidding documents and Letters of Invitation for all major contracts for the first year’s program (para. 2.49).

E. Conditions of Credit Effectiveness

3.5 The following are the conditions of credit effectiveness:

(a) GOU depositing the Uganda Shilling equivalent of US$50,000 into the project accounts (para. 2.36); and

(b) GOU providing to IDA the final satisfactory Implementation Manual for the project including Action Plans for all components for the first year of project implementation (para. 2.43).

F. Conditions of Disbursement

3.6 The following are the conditions of disbursement:

(a) for the entire legal sector component: GOU furnishing to IDA a statement defining its Policy on Legal Education (para. 2.18);

(b) for the office of the Administrator-General: GOU furnishing to IDA a satisfactory business plan covering at least the first three years of operation (para. 2.23);

(c) for the office of the Registrar-General: GOU furnishing to IDA a satisfactory business plan covering at least the first three years of operation (para. 2.23);
(d) for the Training Funds component - agreement between GOU and IDA that:

(i) the CBS staff have demonstrated capability to implement the Training Funds component through (1) participation in the preparation and implementation of at least two rounds of training under the Central or Local Government Capacity Building components; and (2) satisfactory management of at least one round of training under the Legal Sector Reform or Accountancy Strengthening components; and

(ii) the detailed guidelines in the Implementation Manual pertaining to the implementation of the Training Fund component have been reviewed and, if warranted by the review, amended in the light of experience (para. 2.30);

(e) for the Accountancy component: (i) appointment of the Secretary of the ICPAU; (ii) the Council of the ICPAU would have furnished to IDA a satisfactory business plan covering at least the first three years of operation; and (iii) GOU and the ICPAU have concluded the Subsidiary Grant Agreement (para. 2.25).

G. Recommendation

3.7 Subject to the above conditions, the proposed project is suitable for a credit of SDR 25 million or US$36.4 million to the Republic of Uganda on standard IDA terms.
January 24, 1995

Mr E.V.K. Jaycox
Vice President
Washington D.C., USA

Fax 202 477 6391

Dear Mr Vice President

Letter of Policy on Indigenous Capacity Building

1. I am writing on behalf of the Government of the Republic of Uganda to indicate Government’s policy on indigenous institutional capacity building in support of developing and implementing public policy decisions and enhancing the growth of the private sector. This letter also describes the actions that Government will undertake to implement the proposed Institutional Capacity Building Project (ICBP).

2. I am very grateful for your initiative to bring both donors and Sub Saharan African (SSA) Governments to focus on the urgent need to address the issue of indigenous capacity building more seriously and with a new approach. I am also happy to note that in the spirit of your initiative, the process of preparing the ICBP has been used to develop capacity for project design, understanding of IDA’s process for reviewing project design and significant project ownership among the implementing agencies. I believe the process has been extremely beneficial for us and look forward to other IDA projects in Uganda being developed in a similar participatory manner.

Background

3. As you are aware, since May 1987, Uganda has been undertaking macro-economic reforms. Simultaneously, several key structural reforms with considerable synergy have also been undertaken i.e constitutional reform, civil service reform, decentralization to local governments, public enterprise reform and private sector development. All these activities have required considerable local capacity. Consequently, activities aimed at improving the performance of key economic management agencies and as well as support to the main educational institutions in the country, were undertaken although they have been going on only with limited success. In many cases, resort to foreign experts to fill existing
manpower gaps did not provide for adequate sustainability to ensure future availability of indigenous human resources and promotion of local initiatives. The technical assistance provided by donors in the past has not generated sufficient capacity to further develop, manage and implement Government policies and push private sector growth. Indeed the private sector was not targeted for such assistance and only benefitted from public sector human and institutional resource development by attracting the best manpower on account of better remuneration.

4. Capacity building in the civil service first began through the Civil Service Reform (CSR) program. Recognizing that the lack of capacity in Uganda could as much be attributed to the lack of sufficient remuneration and proper incentives as to the absence of skilled staff, we began an aggressive effort to increase remuneration in the Civil Service. We were constrained by the lack of revenues collected by Government and, of necessity, increasing salaries meant reducing the total complement of staff through rationalizing Ministerial structures. Even as the CSR program was being implemented, Uganda began a systemic evaluation of its approach to Technical Assistance and also began determining, in addition to the overall CSR program, the priority areas upon which we would need to focus.

Overall Policy

5. Our efforts culminated in Uganda’s Policy on Technical Assistance issued in May 1993 and the Capacity Building Plan prepared in February 1994. The major objectives of technical assistance in Uganda, as stated in the Technical Assistance Policy, which constitute the principles on which the ICB project was designed include: (a) the establishment or strengthening of both public and private institutions capable of implementing or facilitating implementation of Government’s economic and development policies and strategies; (b) the development of human resources to produce a skilled labor force, to staff and manage these institutions; (c) the efficient use of both domestic and external financial and human resources to enhance prospects for development; (d) the reversal of the brain drain by mobilizing and motivating available national manpower; (e) the transfer of appropriate technology; (f) the national execution of projects supplemented by the use of local consultants and expatriates; and (g) the extension of technical assistance to the private sector, including Non-Governmental Organizations.

6. To achieve the objectives listed in the Policy, a strategic approach for the development of local expertise and institutions is required including (a) provision of incentives to mobilize and encourage the development of national expertise. Such incentives would need to include financial packages and working tools and facilities (b) promotion of employment of national experts and consultants; (c) strengthening of the role of counterpart
personnel; (d) allowing for the management and execution of project activities by Government and under existing government structures; and (e) provision for local staff development and training at national (public or private) training institutions and utilizing as much as possible local expertise.

7. The Uganda Capacity Building Plan identified areas requiring attention in a longer term capacity building action program, developed an overall institutional framework that will help in the implementation of the program and provided a guide to donors in their contributions towards capacity building initiatives. The priority areas identified for capacity building activities include: (a) policy formation/analysis in government, starting with economic policy; (b) manpower planning function and linking manpower planning to the training function; (c) the legal and judicial system; (d) role and contribution of women to policy development and management; (e) local management training institutions; (f) policy analysis outside Government; (g) the accountancy profession; (h) the local consulting profession; (i) technical and vocational education and industrial training capacity; (j) Non-Government Organizations in their role as capacity builders for Community Based Groups; and (k) the return of skilled expatriate Ugandans.

8. As noted above, both the Technical Assistance and the Capacity Building Plan emphasize the need to invest in creation of more domestic managerial, technical and analytical human resources for effective management of economic development in Uganda. We have maintained this focus in the proposed project’s emphasis on increasing the country’s ability to build its indigenous resources base.

Institutional Capacity Building Project

9. A number of the priority areas identified in the Plan are already receiving attention from IDA and other donors. In preparing this project, special attention has been taken to avoid duplication of efforts with other donors and to exploit complementarity. Further, the project builds on the successful accomplishments of previous and ongoing IDA Technical Assistance projects (i.e. the Second and Third Technical Assistance Projects and the ongoing Economic and Financial Management Project). The proposed project would address the areas of improving the efficiency and effectiveness of Government operations under Central and Local Governments, legal education and reform, strengthening the accountancy profession and implementation skills training.

Strengthening Public Administration

10. The ongoing Civil Service Reform has arrested further decline in the management of the Uganda Civil Service which was caused by the past years of conflict and the attendant general mismanagement of the economy. While significant progress has been recorded,
several issues are yet to be dealt and these include (a) insufficient pay and benefits; (b) inadequate personnel management; (c) an inadequate code of conduct for public officers; and (d) inadequate facility management and maintenance culture.

11. The project will continue support to the management of the Civil Service Reform Program, through strengthening of the central personnel management, records management, facility and asset management and introduction of Results Oriented Management (ROM) and performance recognition system, to improve on service delivery. In line with our current approach which was discussed earlier, we are committed to increasing remuneration to civil Service staff by containing and reducing the total number of Civil Service staff. We have reached agreement with IDA staff on the process to be used for setting annual targets for Civil Service staff for each of the fiscal years of project implementation, as part of the standard process for consultations with IDA on public expenditure, including the annual wage bill. These figures would be closely monitored and would be updated annually on a three year rolling basis.

12. We are committed to using the assistance received through the proposed project to further streamline the Civil Service, improve transparency and accountability and promote effective and efficient service delivery. In this regard we plan to: (a) implement a revised salary structure commencing from July 1996; (b) issue a Code of Conduct for all Civil Servants by July 1996 and monitor its implementation thereafter; (c) undertake annual measurement of Central and local Government outputs and service delivery commencing from July 1996 and introduce Results Oriented Management into our budgeting procedures for use from the 1996/97 budget cycle; and (d) introduce Facility Management Policy into our budgeting procedures for use from the 1997/98 budget cycle.

13. With decentralization, the Local Governments (Resistance Councils) Statute of November 1993 gave the responsibility for provision of most services to the local governments. However, it is already clear that the state of physical facilities and the inadequacy of the required skills would impede a successful transition of service delivery from central to district management.

14. The project will assist us in defining and implementing an appropriate system of inter-governmental finance. We plan to complete a study of the decentralization of the development budget by June 1996 and commence implementation of the decentralization of the development budget in a phased manner by July 1997. We also plan to complete a study to determine establishment of the District Development Fund by June 1996 and issue a position statement on the findings of the study by December 1996.

15. The project will also strengthen local government financial and personnel management structures, systems and procedures; improve service delivery through introduction of ROM to local
government and provide basic tools and facilities for the district administration offices. Due to the assistance received under the project, our local government will be able to: (a) prepare and have audited local government accounts within the six months time limit prescribed in Local Governments (Resistance Councils) Statute, 1993. This will be phased over time with thirteen districts commencing in March 1995, twenty seven districts commencing in March 1996 and for all districts commencing in March 1997; and (b) computerize their payrolls including for staff formerly employed by the Central Government. Initially (i.e. by July 1995) this would be achieved using Uganda Computer Services as an agent and from July 1996 onwards, would be undertaken by local government themselves with a completely decentralized payroll planned for June 1997.

Legal Sector Reform

16. This area of public administration has a critical impact on private sector development. The flow of assistance to this sector has been highly limited and lacked good co-ordination. Uganda’s legal system has been underpinned by largely outdated legislation, especially for laws regarding commerce, traffic and taxation, which affect business, industry and private sector development. There is an urgent need for modernization and for tackling the problem of inherent weaknesses in the major legal institutions which increases the difficulty of enforcement of these Laws. We have recently taken two key steps in this regards. First, we have significantly increased the remuneration of professional legal sector staff. Second, we have established the Law Reform Commission to commence the process of law reform. However, the sector continues to be subject to the problems of insufficient staffing (for paralegal and support staff), outdated office equipment and technology, the absence of pre or in-service training, archaic legislation, out of date law documents and the lack of office supplies.

17. The proposed project will strengthen the legal framework for private sector development, ensure availability of laws and legal decisions, strengthen major institutions in the legal sector and introduce improvements in legal education and training. A key area which we intend to address is the system of legal education. We plan to undertake a legal education study and to provide our positions statement on the findings of the study by July 1995. Further, with the support received form the project, we plan to: (a) by July 1996, publish as Bills (i.e. present to the legislature for approval) the laws to be reformed to provide an impetus to private sector development; and (b) by July 1998, publish the Law Reports for the period 1958-1995. IDA and Government have agreed on the laws to be reformed and in line with this agreement a comprehensive listing has been forwarded to Washington. Finally, we plan to pilot the introduction of cost recovery into the legal sector by increasing the level of revenues as a percentage of costs for the Departments of the Registrar General and the Administrator General and Public Trustee.
Accountancy Development

18. Government's commitment to sound financial management, full accountability, improved business ethics and improved tax compliance for the growing private sector have resulted in a very high demand for accountants and accounting technicians. Considering the small size of the accounting profession in Uganda, accounting jobs have been filled by staff with no formal accounting qualifications.

19. The 1992 Accountants Statute established the Institute of Certified Accountants of Uganda (ICPAU) to regulate the profession and maintain standards and the Public Accountants Examination Board (PAEB) to conduct accounting examinations. However, the Institute and the Board did not become operational for almost two years. We have recently taken steps which have assisted the ICPA in holding its first Annual General meeting and electing its Governing Council to which I have also appointed a member.

20. The project would support the development of the ICPAU, the establishment of a local professional qualification and examining capability and the introduction of local accounting standards. As a consequence of the support received under the project, the ICPAU will be able to: (a) have its first intake of students for the local professional accountancy examinations commencing by September 1996 and hold the first examinations by June 1997; and (b) publish all local accounting and auditing standards by June 1998.

Implementation Skills Training

21. Besides technical skills, general management and implementation skills continue to hinder growth and competitiveness of the private sector and the effective delivery of services by the public sector. It has also been noted that besides donor support and limited Government subsidies for a few public institutions, there has been no planned development of local institutions. A change from a supply driven to a demand driven approach is urgently required to ensure that the required skill needs are met. In addition, Government must plan for development of local training institutions to provide the required quantity and quality of the training services.

22. This project would pilot a method of acquiring the training needs of public and private sector institutions (which would share in the costs of training acquired) from local training suppliers through a transparent and competitive bidding process. Assistance will also be selectively given to identified weak training institutions with potential for improvement, through staff training and acquisition of study materials and equipment on a cost sharing basis: up to 40 institutions would be assisted in this manner.
23. I would like to take this opportunity to reiterate Government's commitment to the implementation of the policies, programs and initiatives outlined in this Letter of Policy. In particular, I am referring to the strengthening and greater use of local experts and institutions, the demand driven approach to local and foreign training, the government execution of the project activities and the extension of assistance to the private sector, all in line with the country's Technical Assistance Policy and the Capacity Building Plan. I must also emphasize that the consolidation of the successes of the country's reform programs is highly dependent on the progress in building greater indigenous institutional and human capacity to develop and implement public policy and support the growth of the private sector.

24. On behalf of the Ugandan Government, and on my own behalf, I wish to thank IDA for the assistance already provided in the field of capacity building and to hope that this request for additional assistance through the proposed UICB project will receive favourable consideration.

Yours sincerely,

Mathew N. Rukikaire
Minister of State for Finance and Economic Planning
UGANDA INSTITUTIONAL CAPACITY BUILDING PROJECT: Implementation Schedule for Central Government Capacity Building Component

### Critical Milestones

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction of ROM into GOU budgeting</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pilot FY95 Service Delivery Survey</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Setting FY97 ROM Targets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY96 Service Delivery Survey</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Review FY96 Results/Set FY98 Targets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY97 Service Delivery Survey</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Review FY97 Results/Set FY99 Targets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY98 Service Delivery Survey</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Noncritical Milestones

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved Personnel Management</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Salary Structure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Code of Conduct</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preparatory Work</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Introduction</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Performance Recognition System</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preparatory Work</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Introduction</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Civil Service Examinations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Study</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Introduction</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>National Records Center</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preliminary Study</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Architectural/Engg. Design Work</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Facility and Physical Assets Management</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Study</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Introduction in Budgeting Process</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Progress Summary

- Critical Milestones
- Noncritical Milestones
- Progress
- Summary
- Milestone
- Rolled Up

### Notes

- Critical milestones are marked with a black line.
- Noncritical milestones are marked with a gray line.
- Progress is indicated with a black line.
- Summary is indicated with a gray line.
- Milestone is indicated with a diamond.
- Rolled Up is indicated with a double diamond.
UGANDA INSTITUTIONAL CAPACITY BUILDING PROJECT: Implementation Schedule for Local Government Capacity Building Component

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Inter-Governmental Finance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decentralization of dev. budg. - study</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- commence impln</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revolving Dev. Fund for Local Govts. - study</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- GOU Position Statement</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preparation of Resource endowment profiles</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fin. &amp; Personnel Mgmt. Structures, Systems &amp; Procedures</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preparation of final accounts</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>First thirteen districts</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Survey</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preparation of accounts/audits</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Twenty seven districts</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Survey of 14 districts</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preparation of accounts/audits</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All districts</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Survey of 12 districts</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preparation of accounts/audits</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comp. of accounts/personnel mgmt.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Needs Assessment study</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisition of hardware/software</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Installation and training (phased)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Computerization of payroll/transfer to LGs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>By UCS on behalf of districts</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>By districts (phased)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pension System</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Study</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Critical - [ ] Progress - [ ] Summary - [ ] Noncritical - [ ]

Milestone - [ ] Rolled Up - [ ]
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal Education &amp; Training</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Study of system</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Govt. Policy Statement on Legal Education</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Law Revision &amp; Reform</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Law Revision (USAID/ODA)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Law Reform : PSD</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Law Reform : Domestic Relations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Law Research &amp; Reporting</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Uganda Law Reports : 1984-95</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Institutional Strengthening</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MJCA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Judiciary</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Law Libraries Study</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improved Cost Recovery</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrator General Study</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Registrar General Study</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Submission of 3 year Business Plans</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Critical: [ ]
Progress: [ ]
Summary: [ ]
Noncritical: [ ]
Milestone: [ ]
Rolled Up: [ ]
# UGANDA INSTITUTIONAL CAPACITY BUILDING PROJECT: Implementation Schedule for Accountancy Strengthening Component

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>ICPAU Start-up of Operations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revision to Statute</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Selection of Secretary</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>List of CPAs and Associate members</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issue of practicing certificates/licenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Twinning Partner selection</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Code of Ethics established</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ugandan Acctg/Auditing standards (phased)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CPE courses developed &amp; introduced</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Development of Local Examination</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Structure, registration &amp; exemption criteria</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>First year study program</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Examiners recruited and trained</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>First CPA exams held</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Critical Progress Summary**

- Rolled Up

**Noncritical Milestone**

- Progress

**Summary**

- Critical
# UGANDA INSTITUTIONAL CAPACITY BUILDING PROJECT: Implementation Schedule for Training Funds Component

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-Operational Phase</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Study to establish implementation guidelines</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recruitment of Training Fund Staff</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CBS staff participate in training acquisition</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Round 1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Round 2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CBS staff manage training acquisition</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Identification of applicants in pre-operational phase</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Review of implementation guidelines</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sensitization Seminars</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Start of Training Funds Component</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operational Phase - first cycle</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fund I</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Training needs submitted</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Needs packaged into Requests for Training</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bidding and selection</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contract delivery</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fund II</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trg. material &amp; equipment needs submitted</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plans packaged into trg req. &amp; equip. bids</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bidding and selection</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contract delivery</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operational Phase - Second Cycle</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Critical
- Noncritical
- Progress
- Milestone
- Summary
- Rolled Up
<table>
<thead>
<tr>
<th>Major Activities</th>
<th>Expected Impact</th>
<th>Indicator of achievement of project objectives</th>
<th>Timing Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Streamlining the Civil Service</td>
<td>Improved service delivery from Central Government Ministries</td>
<td>Improvements in service delivery indicators based on annual measurements</td>
<td>Annually starting from July 1996</td>
</tr>
<tr>
<td></td>
<td>Enhanced focus on output delivery within specified time targets</td>
<td>Introduction of Results Oriented Management in GOU budgeting processes</td>
<td>Fin Year 1996/97 onwards</td>
</tr>
<tr>
<td>Improved personnel management</td>
<td>Fair, transparent and equitable terms and conditions of service</td>
<td>New Salary Structure Code of Conduct for Civil Servants</td>
<td>July 1996</td>
</tr>
<tr>
<td></td>
<td>Better productivity from Civil Servants</td>
<td>Civil Service Performance Recognition System</td>
<td></td>
</tr>
<tr>
<td>Implementation of Facilities and Physical Asset Management Policy</td>
<td>Improved facility management and better management of GOU assets abroad</td>
<td>Introduction of Facility Management Policy into GOU budgeting processes</td>
<td>Fin Year 1997/98 onwards</td>
</tr>
<tr>
<td></td>
<td>Inventory of equipment and retooling needs in central ministries</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strengthened Records Management</td>
<td>Improved management of GOU institutional memory</td>
<td>Commencement of operations of the Records Center</td>
<td>December 1997</td>
</tr>
<tr>
<td></td>
<td>More timely and complete access to records and files in Central ministries</td>
<td>Trained Records Staff</td>
<td></td>
</tr>
</tbody>
</table>
## UGANDA INSTITUTIONAL CAPACITY BUILDING PROJECT
### SUMMARY MONITORING INDICATORS
#### LOCAL GOVERNMENT CAPACITY BUILDING COMPONENT

<table>
<thead>
<tr>
<th>Major Activities</th>
<th>Expected Impact</th>
<th>Indicator of achievement of project objectives</th>
<th>Timing Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defining the system of Inter-Governmental Finance</td>
<td>Improved Resource Allocation</td>
<td>Phased decentralization of development budget - Study - Commencement of impln. Preparatory work for establishment of revolving fund - Study - GOU Position Statement</td>
<td>June 1996</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>July 1997</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>June 1996</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Dec 1996</td>
</tr>
<tr>
<td>Computerization of Accounts/Personnel Management</td>
<td>Improved financial/personnel management and reporting</td>
<td>Implementation of new financial/personnel management system</td>
<td>June 1997</td>
</tr>
<tr>
<td>Preparation of Final Accounts</td>
<td>Timely financial reporting commencing with first two years of decentralization</td>
<td>Final accounts audited within six months of end of fin. year - first 27 districts - all districts</td>
<td>March 1996</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>March 1997</td>
</tr>
<tr>
<td>Computerization of District Payroll</td>
<td>Improved payroll administration</td>
<td>Payroll prepared by UCS on behalf of districts Payroll prepared completely at district level</td>
<td>July 1995</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>June 1997</td>
</tr>
<tr>
<td>Major Activities</td>
<td>Expected Impact</td>
<td>Indicator of achievement of project objectives</td>
<td>Timing Targets</td>
</tr>
<tr>
<td>----------------------------------</td>
<td>------------------------------------------------------</td>
<td>-----------------------------------------------------------------</td>
<td>------------------------------------</td>
</tr>
<tr>
<td>Streamlining Local Governments</td>
<td>Improved service delivery from Local Governments</td>
<td>Improvements in service delivery indicators</td>
<td>Annually starting from July 1996</td>
</tr>
<tr>
<td></td>
<td>Enhanced focus on output delivery within specified time targets</td>
<td>Introduction of Results Oriented Management in GOU budgeting processes</td>
<td>Fin Year 1996/97 onwards</td>
</tr>
<tr>
<td>Retooling</td>
<td>Improved working facilities</td>
<td>Improvements to District Administrations including registries</td>
<td>June 1997</td>
</tr>
<tr>
<td></td>
<td>Improved revenue collection</td>
<td>Commencement of Local Government Vehicle Loan Scheme</td>
<td>Jan 1996</td>
</tr>
</tbody>
</table>
## UGANDA INSTITUTIONAL CAPACITY BUILDING PROJECT
### SUMMARY MONITORING INDICATORS
#### LEGAL SECTOR REFORM COMPONENT

<table>
<thead>
<tr>
<th>Major Activities</th>
<th>Expected Impact</th>
<th>Indicator of achievement of project objectives</th>
<th>Timing Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improvement in Legal Education and Training</td>
<td>Increased local supply response for training and better trained lawyers</td>
<td>New policy on Legal Education</td>
<td>July 1995</td>
</tr>
<tr>
<td>Law Reform</td>
<td>Improved legal and regulatory framework for Private Sector Development</td>
<td>Published bills presenting draft revised laws for PSD</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Published bill presenting draft domestic relations law</td>
<td></td>
</tr>
<tr>
<td>Law Reports</td>
<td>Availability of up to-date legal decisions</td>
<td>Law Reports from 1958 to 1995</td>
<td>December 1996</td>
</tr>
<tr>
<td>Institutional Strengthening of MJCA and Judiciary</td>
<td>Better functioning legal system</td>
<td>Reduction in backlog of court cases.</td>
<td>Ongoing; annual monitoring</td>
</tr>
<tr>
<td>Administrator General</td>
<td>Increased cost recovery, quicker disposition of estates and improved management of trust funds</td>
<td>Increasing ratio of estates liquidated &amp; increased rate of return on trust funds invested, decreasing support from GOU.</td>
<td>Annual targets to be established in three year Business Plan</td>
</tr>
<tr>
<td>Registrar General</td>
<td>Increased cost recovery, more timely registration, quicker querying of records</td>
<td>Increasing ratio of registrations/queries handled within 24 hrs &amp; increased follow-up of dormant companies, decreasing support from GOU.</td>
<td>Annual targets to be established in three year Business Plan</td>
</tr>
<tr>
<td>Major Activities</td>
<td>Expected Impact</td>
<td>Indicator of achievement of project objectives</td>
<td>Timing Targets</td>
</tr>
<tr>
<td>----------------------------------------------</td>
<td>--------------------------------------------------------------</td>
<td>-----------------------------------------------</td>
<td>-------------------------------------</td>
</tr>
<tr>
<td>Introduction of CPA examinations</td>
<td>More qualified accountants</td>
<td>Establishment of syllabi and commencement of courses</td>
<td>September 1996</td>
</tr>
<tr>
<td></td>
<td>More students able to study for accounting examinations</td>
<td>First CPA examinations</td>
<td>June 1997</td>
</tr>
<tr>
<td>Improved Accounting and Auditing in Uganda</td>
<td>Adoption and use of national Accounting and Auditing Standards</td>
<td>Publishing of national standards according to phased schedule</td>
<td>June 1998</td>
</tr>
<tr>
<td></td>
<td>Increased transparency in preparation of financial statements</td>
<td>Introduction of Continuing Professional Education courses</td>
<td>Commencing from July 1996</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sample review of audited financial statements to be undertaken by Institute as part of practice certificate renewal</td>
<td>Commencing from July 1997</td>
</tr>
<tr>
<td>Code of Ethics and disciplinary process established</td>
<td>Improved quality of accountants</td>
<td>Establishment of grievance mechanism</td>
<td>Establishment by June 1996</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Timely handling of complaints from members of the public</td>
<td>Annual monitoring from July 1996</td>
</tr>
<tr>
<td>International Acceptability of Ugandan Professional Accountancy Qualification</td>
<td>Recognition in the Region and internationally</td>
<td>Membership of IFAC and ECSAFA Acceptance of the ICPAU qualification by other accounting bodies</td>
<td>July 1996 June 2000</td>
</tr>
</tbody>
</table>
## UGANDA INSTITUTIONAL CAPACITY BUILDING PROJECT
### SUMMARY MONITORING INDICATORS
#### IMPLEMENTATION SKILLS TRAINING FUNDS COMPONENT

<table>
<thead>
<tr>
<th>Major Activities</th>
<th>Expected Impact</th>
<th>Indicator of achievement of project objectives</th>
<th>Timing Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training for public and private sector beneficiaries</td>
<td>Better trained public and private sector employees</td>
<td>Improved relevance of training to job skills.</td>
<td>June 1997 onwards</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Impact evaluation measurements to be provided both by trainees and by CBS</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Delivery of up to 70 years of training in 1996/97 and up to 140 years in 1997/98</td>
<td></td>
</tr>
<tr>
<td>Strengthening of training suppliers from Fund II</td>
<td>Increased ability to compete for contracts at later stage of operation of Training Funds component</td>
<td>Total of up to 40 suppliers strengthened</td>
<td>June 1997 onwards</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Up to 70% of suppliers strengthened under Fund II winning contracts under later phases of operation</td>
<td></td>
</tr>
</tbody>
</table>
### Institutional Capacity Building Project

**Expenditure Accounts by Components - Total Including Contingencies (US$ Million)**

<table>
<thead>
<tr>
<th>Component</th>
<th>Central Govt.</th>
<th>Local Govt.</th>
<th>Legal Sector Reform</th>
<th>Training Funds</th>
<th>Accountancy Strengthening</th>
<th>PPF Refinancing</th>
<th>SPPF Refinancing</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investment Cost</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. Civil Works</td>
<td>1.41</td>
<td>1.37</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2.78</td>
</tr>
<tr>
<td>B. Vehicles, Equipment &amp; Furniture</td>
<td>1.44</td>
<td>5.46</td>
<td>2.70</td>
<td>0.80</td>
<td>0.07</td>
<td>-</td>
<td>-</td>
<td>10.46</td>
</tr>
<tr>
<td>C. Training</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>In-Country Training</td>
<td>1.77</td>
<td>4.32</td>
<td>0.60</td>
<td>5.16</td>
<td>0.16</td>
<td>-</td>
<td>-</td>
<td>12.02</td>
</tr>
<tr>
<td>Overseas Training</td>
<td>-</td>
<td>-</td>
<td>1.95</td>
<td>0.57</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2.53</td>
</tr>
<tr>
<td>Subtotal</td>
<td>1.77</td>
<td>4.32</td>
<td>2.56</td>
<td>5.74</td>
<td>0.16</td>
<td>-</td>
<td>-</td>
<td>14.55</td>
</tr>
<tr>
<td>D. Consultants' Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local Consultants</td>
<td>0.63</td>
<td>2.53</td>
<td>1.38</td>
<td>0.99</td>
<td>0.40</td>
<td>0.35</td>
<td>0.17</td>
<td>6.45</td>
</tr>
<tr>
<td>Other Consultants</td>
<td>1.05</td>
<td>0.52</td>
<td>0.72</td>
<td>0.52</td>
<td>0.26</td>
<td>-</td>
<td>-</td>
<td>3.06</td>
</tr>
<tr>
<td>Subtotal</td>
<td>1.68</td>
<td>3.04</td>
<td>2.10</td>
<td>1.51</td>
<td>0.66</td>
<td>0.35</td>
<td>0.17</td>
<td>9.51</td>
</tr>
<tr>
<td>E. Printing</td>
<td>0.41</td>
<td>-</td>
<td>0.91</td>
<td>-</td>
<td>0.08</td>
<td>-</td>
<td>-</td>
<td>1.40</td>
</tr>
<tr>
<td><strong>Total Investment Cost</strong></td>
<td>6.71</td>
<td>14.19</td>
<td>8.27</td>
<td>8.04</td>
<td>0.97</td>
<td>0.35</td>
<td>0.17</td>
<td>38.70</td>
</tr>
<tr>
<td><strong>II. Recurrent Cost</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. Allowances &amp; Incremental Salaries</td>
<td>0.67</td>
<td>0.34</td>
<td>0.41</td>
<td>0.09</td>
<td>-</td>
<td>0.01</td>
<td>0.02</td>
<td>1.53</td>
</tr>
<tr>
<td>B. O&amp;M</td>
<td>0.42</td>
<td>0.20</td>
<td>0.32</td>
<td>0.32</td>
<td>0.12</td>
<td>0.14</td>
<td>-</td>
<td>1.51</td>
</tr>
<tr>
<td>C. Office Supplies</td>
<td>-</td>
<td>-</td>
<td>0.41</td>
<td>0.01</td>
<td>0.02</td>
<td>-</td>
<td>-</td>
<td>0.44</td>
</tr>
<tr>
<td><strong>Total Recurrent Costs</strong></td>
<td>1.09</td>
<td>0.53</td>
<td>1.14</td>
<td>0.42</td>
<td>0.14</td>
<td>0.15</td>
<td>0.02</td>
<td>3.49</td>
</tr>
<tr>
<td><strong>Total Project Costs</strong></td>
<td>7.81</td>
<td>14.72</td>
<td>9.41</td>
<td>8.46</td>
<td>1.11</td>
<td>0.50</td>
<td>0.19</td>
<td>42.19</td>
</tr>
</tbody>
</table>

**Foreign Exchange**

|                  | 3.30          | 6.59        | 6.19                | 1.90           | 0.39                      | 0.15            | -                | 18.52 |
UGANDA INSTITUTIONAL CAPACITY BUILDING PROJECT
SUPERVISION PLAN

IDA Supervision Input

1. Staff (including consultant) input will be needed for approximately 24 person weeks in the field per annum; the composition of the IDA team is listed in the attached Table. At headquarters, upfront effort will be required which will diminish over the life of the project; approximately an additional 24 weeks will be required at Headquarters in year 1, diminishing to 18 weeks in year 2 and reducing further to 12 weeks thereafter. These are financed out of IDA’s administrative budget and NOT from the proceeds of the project credit.

Borrower’s Contribution to Supervision

2. The GOU Task Manager will act as the central link between the component managers and IDA; however, direct lines of communications between component managers and IDA technical staff working on each component will also exist.

3. Reports on project implementation, summarizing progress achieved, difficulties encountered and changes and adjustments to be made would be submitted quarterly by each participating agency to the Chairperson of the Technical Committee, through the Capacity Building Secretariat. At a minimum, each component report should describe in general terms the status of the component, and deal with the status of inputs (i.e. procurement, consultants and training), the process of implementation (i.e. any particular problems that may have/be occurring, and the steps being taken to resolve the difficulties) and the outputs (i.e. tasks commenced/completed). Further, with regard to both inputs and outputs, the progress towards objectives should be quantified as far as possible or where this is not possible compared with the outputs listed in Annex 3. Also, some indication should be provided on the objectives for the next quarter, and the resources being deployed to meet these targets. As the quarterly report serves not only as a guide for progress but as a diagnostic tool for GOU and IDA, it is important for component managers to candidly outline their difficulties.

4. Prior to each field mission by IDA, the GOU Task Manager will set up a timetable of key meetings, as agreed between the Project Manager and the mission leader. The GOU Task Manager will also be responsible for notifying all component managers of the dates of missions, and for ensuring the availability of component managers/staff for discussions.

5. The GOU Task Manager will be responsible with the IDA Task Manager for the organization and conduct of the Mid-Term Review. A project evaluation consultant would be appointed to undertake a detailed analysis of project implementation and present a draft report to the Government and IDA.
### TABLE: Timetable for In-Country Supervision

<table>
<thead>
<tr>
<th>APPROXIMATE DATE</th>
<th>ACTIVITY</th>
<th>EXPECTED SKILLS (STAFF WEEKS)</th>
</tr>
</thead>
</table>
| July 1995        | Supervision Mission cum Project Launch Workshop | Task Manager (2)  
Public Sector Management Specialist (2)  
Local Government Specialist (2)  
Legal Counsel (2)  
Accountant (2)  
Training Specialist (2) |
| January 1996     | Supervision Mission | Task Manager (2)  
Public Sector Management Specialist (2)  
Local Government Specialist (2)  
Legal Counsel (2)  
Accountant (2)  
Training Specialist (2) |
| July 1996        | Supervision Mission | Task Manager (2)  
Public Sector Management Specialist (2)  
Local Government Specialist (2)  
Legal Counsel (2)  
Accountant (2)  
Training Specialist (2) |
| January 1997     | Supervision Mission | Task Manager (2)  
Public Sector Management Specialist (2)  
Local Government Specialist (2)  
Legal Counsel (2)  
Accountant (2)  
Training Specialist (2) |
| July 1997        | Supervision Mission | Task Manager (2)  
Public Sector Management Specialist (2)  
Local Government Specialist (2)  
Legal Counsel (2)  
Accountant (2)  
Training Specialist (2) |
| January 1998     | Joint GOU/IDA Mid-Term Review cum Supervision Mission | Task Manager (2)  
Public Sector Management Specialist (2)  
Local Government Specialist (2)  
Legal Counsel (2)  
Accountant (2)  
Training Specialist (2) |
<table>
<thead>
<tr>
<th>APPROXIMATE DATE</th>
<th>ACTIVITY</th>
<th>EXPECTED SKILLS (STAFF WEEKS)</th>
</tr>
</thead>
</table>
| July 1998        | Supervision Mission | Task Manager (2)  
Local Government Specialist (2)  
Legal Counsel (2)  
Accountant (2)  
Training Specialist (2) |
| January 1999     | Supervision Mission | Task Manager (2)  
Local Government Specialist (2)  
Legal Counsel (2)  
Accountant (2)  
Training Specialist (2) |
| July 1999        | Supervision Mission | Task Manager (2)  
Local Government Specialist (2)  
Legal Counsel (2)  
Accountant (2)  
Training Specialist (2) |
| January 2000     | Final Supervision Mission cum Implementation Completion Review Preparation Mission | Task Manager (2)  
Local Government Specialist (2)  
Legal Counsel (2)  
Accountant (2)  
Training Specialist (2) |
Project Steering Committee consists of: PS/Secretary to the Treasury (Chairman); PS, Ministry of Local Government; PS/Solicitor General; Secretary to the Administrative Reform Commission and President Institute of CPAs of Uganda. Technical Committee is chaired by GOU Task Manager and consists of Component Managers.
Background

1. The economic mismanagement and political chaos of the 1970s in Uganda severely decimated one of the most respected and effective public administrations in Eastern Africa. With migration, Ugandan human capacity was further eroded. Through the Economic Recovery Program (ERC) launched by government in 1987, the decline in standards and efficiency has largely been arrested. The initial attempts at reform focused on reducing the numbers of part time employees and rationalizing the numbers, roles and functions of ministries. Then, in October 1990, a policy framework for a comprehensive civil service reform was presented by the Public Service Review and Reorganization Commission (PSRRC). The Commission’s report, which included some 255 specific recommendations, concluded that the Ugandan Civil Service had been marked not only by its bloated structure, but also by inefficiency and poor performance. Key problems were: inadequate pay and benefits; poor management skills; dysfunctional civil service organization; and inadequate personnel management and training. This lead to abuse of office and Government property; moonlighting and corruption; lack of discipline; an erosion of rules and regulations; obsolete procedures; lack of appropriate systems; thin managerial and technical skills; poor public service attitudes; and massive bureaucratic red tape.

2. In 1992 the major recommendations of the Commission were adopted as a framework for reform through Sessional Paper No.1. The chosen strategy includes: rationalization and downsizing of the civil service, reform of remuneration policy and payroll administration, restructuring of ministries and decentralization of governmental functions and development and introduction of improved personnel management systems. To date, a number of steps have been taken towards creating a small, well motivated and remunerated civil service capable of delivering timely and improved service to the public. These achievements include:

   a. significant real increases in salaries (although salary levels are still far below the Minimum Living Wage prescribed by the PSRRC). Further pay reforms including monetization of non-monetary benefits, in particular transport and housing, is planned to be implemented commencing in fiscal year 1994/95.

   b. a reduction in the number of ministries from 38 in 1989 to 21 currently, and the rationalization of ministerial structures to remove duplications and overlaps as well as to reduce encroachment on the private sector.

   c. significant progress has also been achieved in the removal from the payroll of ghost workers, redundant employees, the overaged and the poor performers. 1990 payroll payments were for 320,000 employees. Following detailed censuses, spot checks, and a concerted effort at computerization of the payroll and the development of establishment position codes, the Central Government Civil Service staff have been reduced to about 148,000 as of December 1994.
Remaining Issues

3. As has been noted above, over the last few years, the CSR program has moved on a broad front to address several issues which has provided a strong underpinning for Government’s continued effort at reform. However, given the magnitude of the problems the Government started out with, the following items (in each of the areas initially identified by the PSRRC) still remain:

   a. **Insufficient Pay and Benefits.** Improving basic pay still remains the most important prerequisite for a more effective civil service. Even after several successive salary increments since 1986, wages and salaries in government are still extremely low compared to the private sector and parastatal organizations, and do not come near the Minimum Living Wage proposed by the PSRRC. These problems are further exacerbated by major design weaknesses in the current pay and grading system which add lack of equity and transparency to the basic issue of low pay. Shortcomings include: (i) 64 different grade levels covering all civil service employees; (ii) 76 different types of allowances paid in the civil service; (iii) progression through the salary scale based purely on length of service in the job; (iv) compressed salary structure with a ratio from the minimum of the lowest grade to the maximum of the top grade of only 1:6.8; and (v) equally uncomprised remuneration structure (i.e. including all non-monetary allowances and benefits) of 1:100.

   b. **Insufficient Management and Supervisory Skills.** The standard or quality of management, as distinct from administration, is very low in Public Service and this deficiency constitutes one of the most serious obstacles to achievement of modern methods of management. Past training efforts in the civil service were not dynamic and innovative enough to effect the much needed re-orientation that Uganda’s present problems and programs call for. There is also a problem with the “culture” of the civil service, which at one time was one of the best in Africa; new management techniques which were introduced have not been seriously implemented.

   c. **Inadequate Personnel Management and Training.** The personnel management function in Uganda’s Civil Service is carried out by the Ministry of Public Service; the Public Service Commission; line Ministries/Departments. It has been the Public Service Commission’s responsibility, in theory, to recruit, terminate and discipline civil service staff. However, in reality, for the personnel processes to work, there must be substantial input and cooperation from the line ministries. However, due to over-centralization, the service is unable to deal with disciplinary cases at their source and when identified, such cases take inordinately long to resolve. The response at the working level has been for managers to simply transfer undisciplined civil servants to other sections, ministries or departments.

   d. **Lack of an adequate Code of Conduct for Public Officials.** While the problems of (and the solutions for) administrative inefficiency can be seen in purely technical terms as described above, it is clear that administrative failure in Uganda involved far more than technical incompetence. It is commonly accepted that the collapse of the 1970s and 1980s was caused by a political breakdown rather than inappropriate administrative structures. Military dictatorship destroyed all mechanisms of political and financial accountability and thus eliminated effective management, monitoring and control. Corruption and malingering were no longer punished but became an intrinsic part of the reward system, fully exploited by everyone. The problem was not that regulations were outmoded but that existing regulations were systematically abused by managers
and staff alike. Government became little more than a criminal conspiracy against the public. Thus improved performance will not only depend on better training and management systems or revised regulations, but on the creation of an accountability system which will expose and punish corruption and incompetence and recognize and reward effective performance.

e. Inadequate Facility Management and Maintenance Culture. The situation found by the PSRRC of resource deprivation i.e. Government offices trying to manage without the most basic equipment and ordinary office furniture such as chairs, tables, functional typewriters or copying equipment has improved but not by much. At that time, the lack of support infrastructure reflected the massive looting during the war years. While there has since been a build-up of equipment, etc., there continues to remain *a poor maintenance culture* in the service. Inadequate attention is paid to the recurring cost implications of acquiring new assets and many buildings from which the Civil Service operates are in a poor state of disrepair.

Previous and Ongoing Assistance

4. Previous efforts by Government and related support from donors, in particular UNDP, ODA and IDA have, of necessity, focused on restoring efficiency to the core aspects of Government business (e.g. planning, budgeting, control of financial and monetary resources) and to get the reform measures implemented. The magnitude of the problems and the need to re-establish critical functions required a focus on immediate results; this resulted in significant use of expatriate assistance. The situation having stabilized, it is now appropriate to widen the focus from short term problem solving to building indigenous capacity i.e. lasting systems and skills.

Program and Component Objectives

5. The principal objective is to continue the Civil Service Reform program in support of the Government's broader program of reforming and modernizing key public institutions and the personnel staffing, thus helping to sustain the economic and social reform program which the government has initiated. This would be achieved by further assisting Government in continuing to address the remaining key issues in the Civil Service.

Component Description

6. There are several ongoing activities which need to be brought to completion. Also, support needs to be provided to understanding and developing the next stage of the reform process. The proposed credit will finance a time slice consisting of selected components of the program. Actions to be financed by the IDA credit are limited to those which can be effectively completed within the project horizon, and which will result in lasting improvements in key areas of civil service performance. It also takes into account and supplements existing and forthcoming parallel funding from other donors. The project component will concentrate on:

a. streamlining of the civil service. This includes management of the Civil Service Reform program, implementation of the Ministerial Reviews and strengthening Personnel Management function in central ministries;

b. improving the transparency of personnel management through implementation of a new salary
structure, revision of Standing Orders, introduction of a Code of Conduct and a Performance Recognition Program; and

c. focusing the civil service on effective service delivery through the introduction of Results Oriented Management;

d. focusing the civil service on efficient service delivery through developing the Central Government’s capability for facility/asset management and records management; and

e. training for Improved Performance (Skill Building).

Streamlining the Civil Service

7. Support to the streamlining of the civil service would be provided at two levels. First, the overall program being managed through the Ministry of Public Service would be supported especially through: (i) improving central personnel management systems; and (ii) supporting key bodies and staff undertaking a civil- service-wide classification of personnel from the perspective of identifying candidates for termination as a result of restructuring/redundancy activities. Second, at the level of individual ministries, the project would support: (i) implementation of Ministerial restructuring plans; and (ii) strengthening Ministry level personnel management functions.

8. Improving Central Personnel Management. The improvements made so far in the central government need to be further consolidated through improvements in central systems, in particular improved personnel management practices and accountability. In light of the decentralization program and the transfer of several responsibilities to the District Service Committees, it is also necessary to redefine the role of the Public Service Commission. The project would support Technical Assistance for the introduction of examinations as a means for selection and staff promotion. The staff of the PSC would be trained to take over the administration of examinations at a later date.

9. Supporting Key Bodies and Staff. The focus of implementation within MPS has rested with a core team of expatriates, national experts and ministry staff. In MPS, the Senior Advisor for Civil Service Reform (an expatriate) and two national experts, who provide the necessary technical and advisory services, are being supported from ODA funding. In addition to the ongoing management of the reform, the increased visibility of the CSR program necessitates its transparency should be improved so that various stakeholders are informed on a timely and regular basis about the progress of CSR. This process has already begun on a limited basis vis-a-vis the external stakeholders (i.e. the donors and multi-lateral agencies); and it now needs to be expanded to include domestic constituencies. The primary modality is to strengthen the in-house function in order to able to package and disseminate information to all the relevant target groups. The credit will be used to procure specialized services and provision of the related publicity equipment and publishing of civil service newsletter and other information tools.

10. Through the Economic and Financial Management Project, IDA has funded the activities of The Implementation and Monitoring Board (TIMB) which screens all civil servants to assess their effectiveness and decides on priorities among staff to be retrenched and the Project Implementation Committee (PIC) for CSR. This support will continue under the credit which will, as in the past, fund incentives and allowances for TIMB and would also provide incentives to critical MPS staff and key staff from other central ministries involved in the implementation of the reform.
11. **Implementation of Ministerial Reviews.** The first five ministerial restructuring plans (or Ministerial Reviews) have been under implementation for some time now. For the balance of sixteen ministries/offices, implementation of the restructuring plans is yet to commence or at an early stage. It is apparent that the first five ministries are experiencing problems that have hampered the timely implementation of the new structures. PIC together with the Inspectorate Department of MPS would establish the reasons for the delay in implementation and the results of this assessment would be used to design the assistance provided to the Ministries. The nature of the assistance would be tailor-made based on the recommended changes in the ministerial reviews, the size, complexity and the current management capability of each ministry. The credit would finance relevant management of change and/or implementation capability for each of the remaining sixteen ministries/offices.

12. The current restructuring plans of ministries do not take into account the impact of decentralization on the operations of various ministries. This assessment can only be made after February 1995 when the structures and approved establishment positions of the District structural reviews are known. At that time, the ministerial restructuring plans would be restructured and revised based on the inputs from the Districts. The credit would finance a short term consultancy study to review the outcome of all the district reviews and its impact on the role to be performed by the central ministries. The output would be a new structure and establishment for the central government.

13. **Strengthening of the personnel management function in each Ministry.** A pilot exercise has already been initiated, with assistance from ODA, to develop and install computerized personnel information system in five ministries. The credit would finance extending this system to the remaining ministries.

**Improving the Transparency of Personnel Management**

14. **New Salary Structure, Schemes of Service and Salary Administration Manual.** Currently, work on salary structures is being undertaken with technical assistance funded by UNDP. Simultaneously, job grading issues are being addressed by developing a job information database consisting of job descriptions, specifications and requirements. This will help introduce fairness and transparency into the civil service salary administration and job evaluation. Based on this ongoing work, it is expected that by July 1996, GOU would introduce a new salary structure for the Civil Service. At that time, the project would assist in developing the corresponding schemes of service as well as a salary administration manual to implement the new policies. Subsequently, staff will need to be trained in the use of the Salary Administration Manual and the use of the schemes of service in succession planning and staff development. To accomplish this, the credit will finance a short term consultant, counterpart training, office technology, dissemination of policies and procedures and allowances.

15. In order to address the issue of transparency and accountability, the following activities would be undertaken:

   a. **new Standing Orders and a Code of Conduct** for all Civil Servants would be issued by July 1996. The credit would support a short term consultancy to revise the Standing Orders, separated by the three services, as well as prepare a Code of Conduct.

   b. **Design and conduct of training for the MPS Department of Inspection staff.** The staff in the newly formed MPS Department of Inspection would play a crucial role in the broader monitoring of the implementation of the reform program and more specifically on issues of accountability. An
inspection guidance manual would be developed for the Department in the execution of its functions. This manual will form part of the training materials in inspection techniques and methodology. The staff will also be exposed, through study tours, to the experience of other countries with strong and effective inspection function. The primary modality will be through a short term consultant to develop the inspection manual and provide the initial training in inspection techniques and methodology.

16. A Performance Recognition Program would be instituted by July 1996 which would recognize outstanding performance by groups and individuals in different categories and would in a timely and substantial way reward outstanding performance and thereby provide role models for excellent performance. The credit would finance a study to establish the program.

Focus on Effectiveness: Emphasis on Service Delivery/introduction of Result Oriented Management

17. A new concept of management would be introduced into the service to make staff more results oriented and concentrate their attention and resources on the achievement of definite objectives within specified time targets. In applying this concept, objectives and achievement targets would be determined for each ministry, department and subordinate unit and for individual officers. To make the technique more relevant, the process would be linked to the annual budgeting programming exercise during which ministries set and agree with the Treasury on their financing proposals. The introduction of this technique of management will comprise of two elements:

a. To assist in future monitoring of the quantitative indicators which would be developed and measured through the Action Planning Workshops, a baseline study would be conducted to establish the existing level of service delivery. At the same time, it is also necessary to measure the perception of the users regarding changes in service delivery; a survey instrument would be developed for use with the baseline study as well as for future annual use from July 1996 onwards. The credit would finance a short term consultancy and travel in the development of the survey instrument.

b. A series of sensitizing, team building and action planning workshops for all senior managers in central government. The output of the workshops would consist of realistic and measurable performance standards and indicators by which to measure service delivery to the public from each Ministry. Based on the standards and indicators, ROM would be integrated into GOU’s budgeting procedures from the 1996/97 budgeting cycle.

Focus on Efficiency: Strengthening Support Services

18. Strengthening Records Management. The government, with assistance from ODA, has initiated a program to improve records management in central ministries. During the first phase of the program (1987-89) registries in five key ministries/departments were rehabilitated, and staff training for staff was also provided, and the capacity of the Records and Information Management Department (RIMD), within the Ministry of Public Service was improved to provide the necessary technical and advisory services to other ministries. The second phase of the program (1994-96) has commenced with another lot of seven ministries. The program will assist in establishing a system of providing timely access to information and the establishment of an institutional memory. While the registry functions in ministries are being addressed, the problem of whether to store semi-active records remains unaddressed. At the moment,
these semi-active records are being retained in the registries resulting in congestion/overflow thus taking up space which is required for current records. This exacerbates the retrieval problems. It is necessary to have a purpose built facility where the semi-active records can be sorted out and the historical and valuable ones transferred to the Archives. The credit will provide funds to support training and the construction of the National Records Centre by June 1997.

19. An initial assessment of the space requirements, security requirements and costs has been completed by a short-term expert funded from the Project Preparation Facility. This assignment has resulted in Terms of Reference for an architectural/engineering firm to design the detailed specifications and supervise the actual construction.

20. **Strengthening Facility and Physical Assets Management.** One of the key issues of facilities and assets management which remains unaddressed in the Ugandan context is the necessity for preventive facilities maintenance. Because of lack of a maintenance capability, the Government incurs substantially higher costs for breakdown maintenance in addition to having physical facilities in a state of disrepair. A study would be undertaken to develop an optimal approach to ensure facility and asset management, and provide training to officer managers, transport officers and other concerned officers. The study would review the best approach for managing in-country assets and would facilitate the issuance of the necessary policies and recommendations on the implementation of these policies through the budgeting processes from the 1997/98 budgeting cycle onwards. It would also review the utilization of Ugandan Government assets abroad and recommend the optimal size of assets required and approaches to managing those assets.

**Training for Improved Performance (Skill Building)**

21. **Training to Support the Implementation of the CSR program.** A civil service training plan for 1995/96 has been prepared. It needs to be prioritized to emphasize more problem solving, in-country training in critical skill areas. Beyond 1996/97, based on the outcome of the ministerial reviews, a complete and integrated Training Needs Assessment (TNA) for the central government would be undertaken and a five year Central Government Training Plan would be developed to increase the civil servants' ability to deliver timely and high quality services to the public. The TNA and the Training Plan will be developed by a short term consultant and approved by the Project Implementation Committee (PIC). Most of the training would be problem solving oriented, skill building, and conducted in-country. In general, most of the training for the Civil service would be undertaken through the Training Funds component of the project. However, **Senior Management Training** is considered to be a critical activity which would be funded under this component. A series of workshops will be conducted to address the inadequacy of management and supervisory skills at the senior levels (Permanent Secretaries, Directors and Commissioners). The credit would fund a short term consultancy, allowances and training materials to run four two weeks seminars for this group of officers.

**Parallel Projects**

22. In addition to IDA, there are three donors involved with central government capacity building i.e. UNDP, ODA and EEC. Other donors (Austria, Denmark, Netherlands, Norway, ODA and Sweden) have contributed funds for the retrenchment and voluntary retirement schemes being undertaken by GOU.

23. UNDP has been supporting the CSR through a project that began in 1991 and is expected to run
through December 1995. The project’s focus has been on several areas included under the proposed project i.e. Ministerial Reviews, District Reviews, job evaluation and grading, payroll monitoring, training and retrenchment.

24. ODA has been financing the service of the Chief Technical Advisor (CTA) since November 1992. Following the departure of the CTA, ODA is funding a replacement Senior Advisor and two National Advisors. ODA’s projects have focused upon: ministerial reviews, records management, personnel information system, training (including support to the Uganda Management Institute).

25. EEC has begun financing training and equipment through the Human Resources Development Programme under Lome IV which is being administered by the Ministry of Finance and Economic Planning.

26. The responsibility for the management and implementation of the Civil Service Reform rests with the Office of Secretary to the Administrative Reform Commission. Hence, this office is responsible for coordinating donor activities.
Background

1. The local government system in Uganda can be traced back to the structures introduced by the British at the turn of the century and then gradually modified over the next sixty years. At independence in 1962 the Constitution provided for the devolution of powers to Kingdoms, Urban Councils and District Councils. The 1967 Constitution reversed this system and provided a highly centralized system underpinned by the Local Administration Act of 1967. During the 1970s and the early 1980s, there was a complete collapse in central-local relations. After taking power in 1986, one of the first goals enunciated by the National Resistance Movement Government in its overall framework of social-political policy was that of decentralization. In 1987, political decentralization was introduced through the Resistance Council system which consisted of a hierarchical structure of Councils and Committees consisting of: Village Council (RC1); Parish Council (RC2); Sub-County or Division Council (RC3); County or Municipal Council (RC4); and District or City Council (RC5).

2. Commencing in 1986, the Government also began studying the issue of decentralization of administrative authorities and responsibilities to the thirty nine districts in Uganda to match the RC structure. There have been various reports produced over the last seven years including the Report of the Commission of Inquiry into Local Government System (1987), Report of the Local Authorities Finance Resources Committee (1987), Report of the Public Service Review and Reorganization Commission (1990) and Summary Recommendations to Strengthen Democratic Decentralization (1991). In 1991, Cabinet considered and approved measures to strengthen democratic decentralization. Also, in 1992, a Standing Committee on Decentralization consisting of Permanent Secretaries was established and a Decentralization Secretariat set up in the Ministry of Local Government.

3. The various studies and recommendations were considered by Government and culminated in the Local Governments (Resistance Council) Statute which was enacted by Parliament in November 1993. It became effective on December 31, 1993. The major changes defined under the Statute (which repeals the Local Administrations Act, 1967; the Urban Authorities Act, 1964; and the Resistance Councils and Committees Statute, 1987) are:

a. the central headquarters functions would be reduced to policy formulation, planning, inspection and the management of the national programs (as defined under the Second Schedule of the Statute). All other services (defined in the Sixth Schedule of the Statute) would be provided at or below the District level;

b. for services provided by the Districts, Central Government would continue to provide support through block grants and equalization grants (the latter would compensate for disparity between districts). Finances will also be raised by Districts through graduated tax, rates and revenues from other sources. At least fifty per cent of the revenues collected by City Councils in urban areas would have to be given as grants to the local government which is two levels below it (i.e. a Division Council). Similarly, in rural areas, fifty per cent of revenues collected by the local
government councils at the sub-county level (i.e. two levels below the District Level) could be retained for its own use;

c. the structure of the district government would consist of: the District Resistance Council as the legislature; the District Executive Secretary/Town Clerk (as the Chief Executive Officer/Accounting Officer) and his/her staff as the executive branch of government. A Central Government Representative would be appointed by the President who would deal with/advised on issues of national importance and otherwise monitor the implementation of government programs, projects and services;

d. a structure of functional committees for the district and urban councils would budget for and oversee the implementation of local programs, projects and services;

e. each district would employ its own staff and through the District Service Committee (DSCs) shall have the power to appoint, discipline and dismiss all staff (other than the District Executive Secretary and the Deputy District Executive Secretary who shall continue to be appointed by the Public Service Commission). The conditions of service shall continue to be as per Public Service Standing Orders issued by the Central Government;

f. a number of other administrative functions are also devolved to the district level through the setting up of various Committees such as the Local Government Accounts Committee (which shall report on its findings to the Public Accounts Committee) and the District Tender Board (which will take over the function of the Area Tender Boards and provide services to all Resistance Councils in a district); and

g. a Local Government Finance Commission is to be established to advise Government on financing of decentralized services including: assignment of responsibilities and revenue sources between levels of Government, scale and distribution criteria for annual allocation of block and equalization grants, and guidelines to local authorities for setting of rates of taxes, charges and fees or priorities for allocation of equalization grants.

4. The implementation of the reform is well underway and the commitment of Central Government in its implementation is evident. A number of legal and administrative instruments have been issued to bring into effect the implementation of the statute viz: Legal Notice No.1 of 1994 introducing a separate personnel system; General Notice No.40 of 1994 establishing DSCs; Circular Standing Instruction No.2 of 1994 Directive on DSCs; Public Service Commission Regulations for use by DSCs; Guidelines on the Management of a Separate Personnel System; Financial Regulations; Tender Board Regulations; Accounting Manual for District and Urban Councils; Audit Manual; Handbook for Facilitators of Decentralization Sensitization Training and various booklets explaining Uganda’s decentralization policy and its implications. A number of committees - DSCs, Local Government Tender Boards and Local Government Accounts Committees - have been appointed and inaugurated.

5. Local governments have also responded with appreciable commitment. They have: (i) retrenched staff whose positions were abolished by the statute (i.e. sub-parish chiefs) and have paid them off using existing terms and conditions of service; (ii) accepted the rationale and principle behind the restructuring of departments and rationalization of personnel establishments; (iii) successfully tried out new methods of service delivery; (iv) in some cases promoted cost sharing as a financing option as demonstrated in
the cases of Jinja and Tororo hospitals; and (v) improved revenue collection/administration through privatization (e.g. collection of market charges) and have accordingly had a higher revenue uptake.

6. Work on personnel decentralization is well advanced with the appointment of District Service Committees for all districts and the completion of District Reviews (which would establish structures and staffing) for the first thirteen districts; discussion of these reviews by the District Resistance Councils has also commenced.

7. Financial decentralization is being implemented in a phased manner. The recurrent budget is being decentralized commencing with thirteen districts in the first year, fourteen districts in the second year and twelve districts in the last year.

   a. During the first year of decentralization which commenced in 1993/94, in anticipation of adoption of the Statute, the first thirteen districts were responsible for managing expenditures (and reporting to Central Government) on the basis of specific votes for each sector Ministry which was having its services decentralized. Thirteen districts were selected for the first phase of decentralization; these are Arua, Gulu, Jinja, Kabale, Kabarole, Masaka, Mbale, Mbarara, Mpigi, Mukono, Lira, Rakai and Tororo. Similarly, the votes of the following ministries were designated to comprise the decentralized district votes: Trade and Industry; Agriculture, Animal Industry and Fisheries; Lands, Housing and Urban Development; Education and Sports; Health; Information; Labor and Social Rehabilitation; Tourism and Antiquities; Natural Resources; Women in Development, Youth and Culture; and Local Government.

   b. In the second year of decentralization, 1994/95, the first thirteen districts have received block grants from the Central Government and the District Resistance Councils are responsible for deciding on the relative priorities among the various services being delivered by local governments. Due to the fact that the District Reviews were in process at the time of budget formulation and consequently there are no established staffing complements upon which to base allocation decisions, salaries which constitute a substantial portion of the expenditures continue to remain as vote items. Objective criteria for the allocation of block grants for recurrent expenditure (excluding salaries) have been developed and were to be applied with effect from 1994/95 financial year. There have been problems with the block grants made to the district administrations. First, the Ministry of Finance and Economic Planning has not made allocations strictly according to the criteria developed. Second, the basis for the block grants have not been explained to the district administrations. Third, the Local Government Finance Commission which was to have acted as the forum for budgetary discussions has not been appointed yet due to some unforeseen delays in the appointment process. Fourth, salaries continue to remain a vote item until the staffing levels are agreed to between the Central Government and the districts. In 1994/95, the second group of fourteen districts also went to the vote system.

   c. In 1995/96 the remaining twelve districts will go to the vote system whereas the first twenty seven districts will go the block grant system.

   d. By 1996/97 the financial decentralization process for the recurrent budget would have been completed with all districts receiving funding from Central Government on a block grant system.

8. Progress for the first fiscal year of decentralization has been monitored closely by the Ministry
of Local Government and was reported as being good; only two out of thirteen districts were considered to have had unsatisfactory performance in expenditure management and remedial actions have been instituted. The principal issue raised by districts is that the vote system, while providing districts with greater control of resources than in the past, does not allow savings in individual line items to be redeployed within the district and savings revert back to the Central Government. The decentralization of funds for services that are provided by the Central Government as per the Second Schedule of the Statute (e.g. hospitals, secondary schools) but which were delegated to the districts was considered to have resulted in the most visible improvement in service delivery. For example, hospitals in Jinja, Masaka, Itojo, Tororo, Rakai and Kabale are reported to have had substantial improvement in the number of patients (including outpatients) served, availability of drugs, food to patients, rehabilitation of premises and payment of staff salaries and utility bills, etc. Other notable achievements include savings on staff payments through identification of ‘ghost employees’ and contracting-out services.

9. Despite the achievements to-date, it can be expected that successful implementation of the decentralization program is likely to remain extremely challenging because of several shortcomings in resources and human capacities in the local governments. Major shortcomings that will need to be addressed include:

a. Lack of appropriate personnel and financial management systems/registries. For most districts, the transfer of Central Government resources has brought a substantially higher level of finances and personnel under the direct control of the districts. This has overloaded existing, largely manual, systems which were barely coping with managing the resources raised and expended locally; further, the use of Central Government resources has resulted in several new reporting requirements which must be observed. Further, the transfer of personnel records and the need to maintain financial documentation is likely to overwhelm the existing local government registries.

b. Shortage of staff and the need for extensive training of available staff. In several key areas where the problems are severe in Central Government, a similar situation is reflected in the local governments. While, the actual situation varies considerably by district, there is a general shortage of staff in areas such as planning, finance/accounting, etc.

c. Sub-county level administrative capabilities. Under the Statute, the RCIII level (i.e. the sub-county) has a substantial role in revenue and expenditure management. While certain districts (e.g. Jinja) had already commenced providing sub-counties with the responsibility for retaining and managing resources, in most districts strengthening the sub-counties will be a substantial task.

Thus, Government is in need of considerable assistance in order to help maintain its current commitment to reform and successfully effect this fundamental change in its approach to management of the economy and delivery of services.

10. Donor Support. Government was assisted by donors in studying and defining its decentralization policy. In 1992, IDA undertook a comprehensive piece of sector work entitled District Management Study (Report No. 10695-UG). This report studied the benefits and risks of the decentralization process and made recommendations regarding the underlying systems and processes which needed to be developed and a timetable for phasing in decentralization. Government commissioned a team of local consultants and also asked DANIDA to field consultants to review the District
Management Study. A national workshop was convened to debate the report and the reviews.

11. The Government of Denmark, through the Danish International Development Assistance (DANIDA) has provided/is providing support to Government in various ways. First, when IDA’s District Management Study became the focus of debate and analysis within Government, experts were funded to help Government in its decision making process. Second, an inter-disciplinary task force which prepared the implementation modalities and reviewed the draft Local Government Statute was financed. Third, the establishment and operations of the Decentralization Secretariat are being partially financed. Fourth, substantial support for training and technical assistance is being provided up to March 1997. Fifth, some districts were supplied with a limited number of office equipment. Finally, the District Development Program of one district (Rakai) is being financed.

12. IDA has supported the decentralization program so far through the Economic and Financial Management Project. First, the District Reviews being conducted by Government have been supported. Second, activities yet to be completed under the EFM Project will also have an impact: systems and procedures to be implemented for central personnel and financial management will provide an important underpinning for decentralized systems; and some funds have been allocated for a program to commence implementation of and train staff for decentralized personnel and financial systems.

Project Component Objectives and Description

13. The objective of this component is to continue the process of assisting local governments to improve their abilities to properly manage and administer responsibilities entrusted to them and thus improve the quality of delivery of services in a viable and sustainable manner. This objective will be achieved through (i) ensuring that appropriate systems and procedures for development planning, personnel and financial management and record keeping are in place; (ii) training local government staff in the use of the new systems and procedures; and (iii) providing additional inputs for the improved functioning of local governments.

14. The specific activities to be funded will include:

a. implementing the agreed to changes in inter-governmental finance and developing the implementation plans for future changes including:
   i. studying and making recommendations for decentralizing the development budget;
   ii. proposing the establishment, capitalization and management of a revolving development fund;
   iii. in this regard, consultancy funds for acquiring both local and foreign consultancy services for specific activities to be defined at a later date are provided for.

b. Strengthening financial management structures, systems and procedures by:
   i. supporting the computerization of accounts;
   iii. supporting the preparation of final accounts for up to the first two years subsequent to
decentralization for several local governments;

iv. preparing resource endowment profiles (district poverty profiles) as the basis for developing criteria for equalization grants;

c. Strengthening of personnel management structures, systems and procedures by;

i. supporting the computerization of the decentralized payroll;

ii. financing the development of a decentralized records management system;

d. Training contingent upon the tasks listed above. Additionally, training in Result Oriented Management would be provided: to be phased - 13, 14 and 12 districts in that order and in 6 large municipalities;

e. Retooling and civil works. Basic improvements to buildings to enable the local governments to establish registries, computer rooms and have modest offices out of which to operate. Essential inputs (i.e. motorcycles, furnishings and office equipment such as typewriters, filing cabinets and safes) to allow district administrations to fulfill their mandate will be provided; and

f. Vehicles would be provided on a cost recovery basis and repayments by districts would be used to create a District Transportation Revolving Fund.

15. The component will be managed by the Ministry of Local Government which has been charged with the responsibility of implementing decentralization. The locus of implementation will be the Decentralization Secretariat within the Ministry which will also act as the technical backstopping facility, wherever necessary. There will be a Project Administration group within the Ministry of Local Government which would be trained with the objective of developing a capacity within that Ministry to manage, inter alia, the proposed IDA District Development Project (FY97) and disseminate good procurement practices in the districts. This group would initially be twinned with the Project Office and it would learn through on-the-job training; it would initially undertake project administration functions under the guidance of the Project Office and subsequently undertake these independently.

Inter-Governmental Finance

16. Decentralizing the Development Budget: Inter-Governmental Financial and Development Planning. Criteria for and calculation of the block grants for the recurrent budget have been developed and applied in the 1994/95 financial year. They will annually be refined by the Local Government Finance Commission. Resources allocated for delegated services (i.e. per Schedule Two of the Statute) for which the system of Votes may continue were not included in the block grant but were given as separate lines of expenditure. It is important to continue this arrangement given the improvement in service delivery that occurred once the resources were channelled directly to service providers as discussed in para 13 above. The tasks at hand are to:

a. design modalities for the decentralization of the development budget. While the completion of the decentralization of the recurrent budget would provide the districts with a much higher degree of control over service delivery, the transfer of control over capital resources would represent
an equally significant step. However, such decentralization would not only have a fundamental impact on Central Government but would result in fundamental changes in the manner in which donors and multi-lateral agencies support and finance development projects in Uganda. The design will also need to include mechanisms to ensure consistency between fiscal policies of the Central Government and expenditure policies of local governments to ensure macro-economic stability. This study would be completed by June 1996 and phased decentralization would commence by July 1997;

b. propose the establishment, capitalization and management of a revolving development fund. This will allow local governments to optimize the use of scarce financial resources by choosing between debt financing (from the development fund), locally generated revenues, donor funds and central government transfers in funding infrastructure investments. To allow Government to allocate resources from the revolving fund, financial and operational indicators at the District level would need to be developed to allow for comparison of performance across districts. This study is projected to be completed by June 1996 and a GO position statement on its findings is to be issued by December 1996;

c. since the agenda is substantial and evolving, provision has been made for a consultancy fund of US $1 million for acquiring both local and foreign consultancy services for specific activities (e.g. support to the Local Government Finance Commission) and also for acquiring expert assistance on an "as-and-when-needed-basis" for the entire life of the credit.

The tasks outlined above fall within the mandate of the Local Government Finance Commission. For a number of reasons, the appointment has been delayed but is expected to be completed shortly and the tasks may be further refined at that time. Additionally, Terms of Reference for consultancy support to the LGFC would also be prepared at that time.

Strengthening Financial Management Structures, Systems and Procedures

17. **Computerization of Accounts.** The computerization of accounts is necessary. It will bring about efficiency in capturing and processing data, information storage and retrieval. It will promote improvements in budgeting, revenue and expenditure management. It will help management easily monitor financial and budgetary operations thereby enabling the DES to have a firm grasp on the financial position of the district. The timeliness and availability of financial data brought about by computerization will assist in (i) corrective actions being instituted at an early stage; (ii) timely publishing of annual accounts thereby increasing transparency and enhancing the credibility of local governments. Further, local governments will continue to provide information to the Central Government on financial resources provided by the centre which are expended at or below the district level. In order to ensure that the business requirements of both Central and local governments would be met through the computerized system, an assessment of the needs of various users is being undertaken; the task is being funded through the Project Preparation Facility.

18. **Preparation of Final Accounts.** Upon close of the first financial year after decentralization of funds under the vote system, each of the thirteen districts will be required to prepare final accounts which would include the financial position of both Central and Local Government revenues expended during the fiscal year. There are some districts which have sufficient technical capacity to undertake this exercise themselves, there are others which could use some assistance and yet others which would require
extensive help. In order to assess the situation, a survey team consisting of representatives from the Auditor General’s Office, the Commissioner/Treasury Officer of Accounts, the Inspectorate in the Ministry of Local Government and the Financial Management Division of the Decentralization Secretariat conducted a survey of the first thirteen districts to determine if the accounts have been prepared and sufficient background documentation is available for purposes of auditing the accounts. Similar surveys will be required for the balance of the districts close to the end of the first year after decentralization. On the basis of these surveys, assistance would be tailored for district and urban councils to ensure that accounts are prepared properly and in a timely manner; the assistance would be provided by the private sector i.e. local accounting firms. Provision has also been made to provide assistance, if required, in preparing the accounts for the first year under the block grant system. DANIDA has indicated its willingness to fund the same or other local firms in providing support to the Office of the Auditor General in auditing the accounts prepared. This initiative would allow future financial decentralization to proceed with a clean slate as far as past accounts are concerned and also pave the way for the merger of accounts of central government transfers with those of local governments. Also the findings of the auditors would be useful in the creation of proper accounting systems for the future. By March 1996, twenty seven districts are expected to be in compliance with the requirement of the Local Governments Statute that audited accounts should be prepared within six months of the end of the financial year and by March 1997 all thirty nine districts are expected to be in compliance with the Statute.


19. This is an area where the needs are more immediate. While the decentralization of financial management is being phased over a three year period, the decentralization of personnel management has already gone into effect country-wide. Further, ensuring the integrity of the personnel management systems during the decentralization process would be important to ensure that the considerable amount of effort which has gone into cleaning up the records in the central databases continues to result in substantial savings to GOU. The correct data hitherto maintained by the central government would be passed from central to district governments. Fresh appointments, promotions, terminations and other personnel actions regarding district level personnel would be within the control of the District Service Committees. Consequently, the districts would update records of the Central Government.

20. Computerization of the Decentralized Payroll. The central payroll of Government would need to be demarcated by districts and the data be provided to the districts. This will be undertaken in a two-stage approach. First, by July 1995, consolidated payroll processing of all District Administration staff and staff formerly employed by the Central Government would be undertaken by the Uganda Computer Services on behalf of the districts. Second, between July 1996 and June 1997, the districts would themselves commence decentralized management of payroll. Several preparatory steps would be undertaken. The survey of user needs discussed in para 17 would also include the information requirements for a personnel system at the Central and local government level. On the basis of the above information, an appropriate personnel/payroll information system would be provided to District Administrations that would interface with their financial systems. This system would lead to the establishment of district staff lists, documentation for its use would be prepared and at least two (personnel) officers trained in its use. While, in general, the system would be computerized, alternative manual systems (with appropriate checks and balances) may be designed for districts without electricity. Also, the system design would ensure that sufficient level of detail is provided back to MPS so that Central Government can monitor data integrity and the civil service wage bill. Computerization of the
payroll and bio-data will take advantage of the experience of MPS in computerizing personnel records of restructured ministries and the experience of Rakai and five other local governments.

21. **Decentralized Records Management.** The District Service Committees have already taken over decision making regarding all personnel actions for all employees of local governments. The District Teaching Service Committees would do the same for the teaching cadre. Both the DSC and the DTC for each district will need to be set up, strengthened and trained.

22. The confidential and open files of various civil servants being transferred to the districts would need to be transferred to the District Personnel offices. This would be supported by the provision of secure storage facilities and procedures for handling such files at the district level. A records survey was conducted to establish the current state of district records and information flow and also assess the short and long term needs with regards to equipment, furniture and tools; office space; personnel; training needs and guidelines; and appropriate records classification system that may be applied in local government. **Funding was provided from the PPF.** The results of the survey were used to determine the activities to be undertaken under this part of the component. Training will also be provided for records management.

23. The preparation of schemes of service for at least 3 districts and two municipalities with contrasting characteristics to be used as models by the rest of the districts will be a critical activity. The schemes are expected to be prepared under the on-going District Reviews.

**Results Oriented Management**

24. ROM would be introduced into the local government budgeting procedures in synchronization with its introduction into the Central Government budgeting processes. Hence, starting in FY97, ROM would be introduced to the local budget process and would be used to promote: (i) priority setting within and between sectors; (ii) matching inputs with outputs; (iii) sensitivity to timeliness in service delivery (respect for time-frames). Seminars for ROM would start for all the districts and training would be provided in ROM for senior district and urban officials.

**Training**

25. Training funds will be disaggregated in two respects: (i) by component and (ii) by categorization between discretionary and non-discretionary training. Non-discretionary funds for local government will be under the direct management of the component manager for the Local Government Capacity Building Component. The design of the training programs will incorporate the information from Training Needs Assessments (TNAs) which have already been undertaken (e.g. the TNA conducted for districts under the Northern Uganda Reconstruction Project, the Uganda First Urban Project training plans). Information will be exchanged between the Decentralization Secretariat and the coordination units of UFUP and NURP to establish areas of duplication with a view to eliminating them from the project without denying the beneficiaries training opportunities.

**Civil Works and Retooling**

26. Some basic improvements are required to establish a reasonable level of physical infrastructure for the district administrations. What is envisaged is largely refurbishing building exteriors and interiors,
making windows burglar proof, etc. The need to construct new premises would be kept to the minimum possible. The end product would be modest offices out of which District Administrations could operate. Essential inputs for retooling would also be provided. Office and computing equipment (including printers, stabilizers, generators for back-up power, UPs, disk banks) and furnishings in sufficient quantities to implement the systems and procedures described in the paras above would also be provided. Finally, computer software and stationery supplies to ensure that day-to-day operations run smoothly would be provided in a decreasing order over the life span of the project. A determination of the civil works requirements has been undertaken to refine the cost estimates as a special activity by MLG staff; the costs are being reimbursed from the PPF.

27. The project would also finance a few vehicles per district to assist district management to monitor and supervise district-wide activities. The cost of the vehicles is expected to be completely recovered from the districts themselves over a four to five year repayment period and the funds would be deposited into a Revolving Fund dedicated for purchase of vehicles. The management and administration of the Revolving Fund would be contracted out to a commercial bank and detailed guidelines would be provided to the districts on the modalities of accessing the fund. The cost recovery approach is expected to have two major benefits. First, it is expected that the need for repayment would encourage the districts to choose the lowest cost solutions for their needs. Hence, while some 4WD vehicles are still expected to be required for district level monitoring, there is greater likelihood of revenue collectors, for example, being provided motorcycles. Second, the operation of the Revolving Fund is likely to provide lessons of experience for the much larger revolving fund which is likely to be implemented under the District Development Project.

Parallel Projects

28. There are several parallel activities being funded from other projects, most of which are funded by DANIDA.

a. For the next 2-3 years much of the training (sensitization and skills development) will be provided through a grant from DANIDA and IDA’s EFMP credit.

b. The pensions system would be reviewed in the light of decentralization. The objective would be to create a portable pension system. The initiatives of the National Social Security Fund would be examined with a view to adopting relevant recommendations. Otherwise a consultant whose funding is already earmarked under the DANIDA grant will be hired.

c. The resource and revenue potentials of the districts are not known, yet calculation of the equalization grant and the equitable distribution of resources under the development budget will largely be based on (i) realized potential and existing capacity/infrastructure; (ii) unexploited potential; and (iii) revenue effort or expenditure management. The social economic data generated under the resource endowment profiles will be instrumental in evolving policies that will govern inter-governmental financial transfers and development planning. This task is slated for funding by UNDP. The credit will finance this task if the anticipated funding from UNDP does not materialize. A short-term consultant will be needed for a maximum of four months.
Background

1. **Legal System.** The Constitution of Uganda and the Juridicature Act of 1967 constitute the foundation of the Ugandan legal system as it exists today. The Act provides for the continued application of the received English law in Uganda and its co-existence with customary law which is firmly embedded in the traditions, culture, customs and values of the indigenous people of Uganda. The body of statutory law (i.e. laws made by the legislature) is made up of largely outdated legislation in almost every sector. Specifically, laws regarding commerce, traffic and taxation which affect business, industry and private sector development are in dire need of modernization. For example, legislation in commerce was introduced in the pre-independence era and was modelled on the legislation applying in the United Kingdom at that time.

2. **Institutions.** The problem of outdated laws is exacerbated by the absence of timely and rigorous enforcement of these laws due to weaknesses in the major institutions in the sector. In addition to the police, these institutions are:
   
   a. The Ministry of Justice and Constitutional Affairs (MJCA). Most legal activities (e.g. formulating, drafting and enacting the National Constitution, laws and documents) fall within the purview of MJCA or other entities that operate within its mandate. There are seven Departments within the Ministry: Solicitor-General’s Office, Public Prosecution, Civil Affairs, First Parliamentary Counsel, Administrator-General, Registrar-General and Constitutional Affairs.
   
   b. In addition, five other bodies outside MJCA also fall within the control of the Ministry i.e. the Constitutional Commission, the Human Rights Commission, the Law Reform Commission, the Law Revision Commission and the Law Development Centre;
   
   c. The Law Council exercises general supervision and control over entry and practice of law in Uganda;
   
   d. The Judiciary (consisting of the Supreme Court, the High Court and Magistrate Courts) is responsible for adjudicating, deciding and settling legal disputes in accordance with the law;
   
   e. There are Resistance Council Courts at the village, parish and subcounty levels. Their jurisdiction is, by law, restricted to causes and matters of civil and customary nature as defined in the Resistance Committees (Judicial Powers) Statute 1 of 1988. They handle their proceedings in their respective local languages and are generally more accessible to people.

3. A peculiarity of the existing criminal justice system in Uganda is the use of police staff as prosecutors in the lower courts due to shortages of qualified lawyers in the Department of Public
Prosecution.

4. **Shortcomings in the Legal Sector.** In general the MJCA is confronted with the following problems:

   a. insufficient staffing of lawyers, paralegal and secretarial staff. This is mainly due to the large discrepancy between salaries offered in the public sector and the fees lawyers command in the private sector. As a result, the MJCA has a high vacancy rate for professional posts. As of June 1993 for example, there was in the Solicitor-General’s Office a vacancy rate of 81%, 55% in the Department of the Administrator-General, and 49% in the Office of the Registrar-General. Similar problems exist for support staff as well. The Registrar-General’s Office currently has only twenty two filled posts for support staff out of sixty three established posts.

   b. outdated office equipment and technology and the lack of proper office facilities also affect service delivery. This has particular impact on Departments which depend heavily on the availability of appropriate records management systems (e.g the Registrars’ Department which maintains the official incorporation documents of companies);

   c. absence of proper pre-service, in-service and other training programs. For most lawyers, the last period of training received is at the Law Development Center prior to being admitted to the bar and the bench after successful completion of their studies.

   d. archaic legislation in some important areas such as commerce, domestic relations and procedural laws which are no longer responsive to the current needs of the Ugandan society. Most of these laws were passed during the colonial era and are not conducive to private sector development.

   e. absence of easily available documentation with regard to the Laws of Uganda (which were last published in 1964) and the latest legal decisions (which are normally continuously updated through a system of Law Reports but which are largely unavailable in Uganda from 1958 onwards);

   f. lack of office supplies. While this affects all department for basic items such as folders, stationery, etc. it has a larger impact on those departments which are heavily dependent on their interaction with the general public through forms.

The pervasive weaknesses in MJCA are also evidenced in other areas of the legal sector (i.e. magistrates, prosecutors, etc.).

5. **Donor Assistance.** Assistance in addressing the problems in the legal sector has been forthcoming on a limited basis from various donors. It has been mostly confined to the provision of office equipment, vehicles and books, the upgrading of selected physical facilities, especially courts, and the supply of expatriate technical assistance to fill vacancies. Specifically,

   a. DANIDA has been funding pilot projects for the construction of new courtrooms and
judges' residences in nine targeted areas; in addition, they have provided the Judiciary
with stationery and assisted in the replenishment and refurbishing of the High Court
library;

b. ODA has assisted the Judiciary since 1990 by bringing into Uganda three expatriate
judges in order to ease the caseload and to conduct training; it has also provided
equipment, vehicles and books to the Supreme and High Courts;

c. USAID has provided assistance to the Human Rights Commission and the Supreme Court
by supplying them with books; and

d. The Austrian Government has also been involved in endeavors to improve the
performance of the legal sector. Their main involvement focused on assisting LDC to
produce law bulletins and statutory instruments.

6. **Overall Program for Sector Reform.** The Government of Uganda has focused on the issues
concerning the legal sector by including it as one of the priority areas for strengthening under its Capacity
Building Plan. It has, hence, attempted to move forward from an ad hoc approach to a comprehensive
program to improve the entire system of delivery of justice.

7. One of the actions that Government has undertaken in the recent past to demonstrate its
commitment to reforming the sector in a sustainable manner is to significantly increase the salaries of
professional lawyers as of July 1994. The level of salaries was extremely low with professional lawyers
earning an entry level salary of approximately $30 per month while the private sector lawyers earned
several multiples of that wage. Further, unlike other professionals, lawyers were unable to moonlight
to supplement their salaries since this would represent a conflict of interest for which they could be
debarrmed from the profession. The situation was reflected in MJCA's inability to recruit with a high level
of vacancies resulting as has been discussed earlier. As part of the 1994/95 budget, the Government has
increased this wage scale up to a minimum of $640 per month; while these are still below the private legal
sector salaries/earnings, it will provide a substantial boost to the morale of professional legal staff in the
public sector and will improve the quality of staff entering the legal system. For example, for the first
time, vacancy advertisements for lawyers in the MJCA have been oversubscribed with a substantial
improvement in the qualifications of candidates applying for the position. It is anticipated that the
increased salaries would appropriately complement the inputs provided under the project and hence there
should be a substantial impetus to project viability and sustainability.

8. IDA's support and the assistance provided under this project is focused upon the commercial
aspects of law and on the settlement of civil disputes. The criminal law and institutions that administer
it are specifically excluded from the purview of the project even though these functions (e.g. police and
prosecution) are of significant importance and may have substantial linkages with and impact upon the
entire system of justice administration. This decision is predicated upon IDA's current policies which
take into account the fact that its primary mandate is economic development. However, to the extent that
general refresher training, for example, is provided to all lawyers within the MJCA, the staff of the
Department of Public Prosecution have been included in such training. Further, other donors such as
ODA which has in the past supported the criminal justice system are likely to continue such support
thereby ensuring that these critical areas will be improved as well.
Project Component Objectives and Description

9. The proposed project is expected to achieve the following objectives:
   a. to review the entire legal education system in Uganda.
   b. Law Revision and Reform of laws, especially commercial and related laws;
   c. institutional strengthening of the Ministry of Justice and Constitutional Affairs (MJCA) as well as the Judiciary; and
   d. increased cost recovery for services rendered by the Legal Sector commencing with Administrator General and Registrar General.

Legal Education, Training and Accreditation of Lawyers

10. The current system of legal education in Uganda is based on the recommendations made by the Gower Commission in 1969. Under this system, all prospective lawyers in Uganda have to undergo training in two institutions; one teaching substantive law and the other professional skills. Hence, after acquiring a legal degree from any recognised university, all lawyers in Uganda are required to undergo further legal training for a period of one year. Upon completion of the training, lawyers can then practice law in the public sector. In order to practice in the private sector, a certificate of practice needs to be issued by the Law Council. In 1970, The Law Development Centre Act was passed establishing the LDC as the only institution which could provide the legal training required prior to being enrolled as an advocate. The training activity of the Centre takes the form of a formal instruction course in legal practice to law graduates for a period of nine months combined with an additional three months of legal practice. A pre-service training course is also conducted for magistrates.

11. LDC limits its intake of students to only sixty per year for the professional qualification course. Its candidate pool is from the undergraduate legal programs of Makerere University; University of Dar es Salaam, Tanzania; University of Nairobi, Kenya; and University of Lusaka, Zambia. Candidates with undergraduate degrees from other Universities need to be cleared by the Law Council prior to being considered as candidates for selection by LDC. The teaching staff consists of 20-25 lawyers who are also allowed to practice on a part-time basis; this lack of staff defines one of the limitations on LDC’s ability to increase its output of students or deliver Continuing Professional Education. Another limitation is the training delivery approach which is restricted to residential courses therefore limiting total number of students trained in all courses to one hundred and twenty, the hostel capacity. LDC’s costs which were U Sh 330 mm for 1993 are funded through subventions from the Government since there is no cost recovery from students.

12. Over the years, LDC’s ability to provide legal training has deteriorated considerably. As LDC has struggled to meet its statutory obligations for pre-service training and law research and reporting (which is discussed later), it has been unable to dedicate any significant level of resources to Continuing Legal Education in the profession. This situation has been exacerbated by the absence of any mandatory requirements for CLE for lawyers as a requirement to maintain their ability to continue in practice. In order to ensure that these needs are satisfactorily addressed, a substantial change in the delivery of legal
education and training in Uganda is required. As a first step, the project would fund a study to evaluate the existing status of legal education in Uganda with a view to finding ways and means of making it more relevant and responsive to the changing conditions in the country. Taking into account the findings of this study, GOU will adopt a satisfactory policy on legal education. GOU furnishing a statement defining its Policy on Legal Education is a condition of disbursement for the legal sector component.

Law Revision and Reform in Uganda

13. These are two related activities which are separate but have several linkages: law revision is the process of consolidating various Laws of Uganda into a series of volumes with the objective of making these Laws readily available to various participants in the legal process. Law reform is the amendment of specific laws from the perspective of modernizing these laws within the socio-economic context prevalent in Uganda and to remove impediments to Government’s stated objective of making the private sector as the focal point for growth in the economy.

14. Institutional and Policy Framework for Law Revision. Law Revision is the responsibility of a Law Revision Commission. Preparations have already commenced for the Law Revision exercise which would be undertaken through parallel donor financing (USAID to fund the consolidation of laws and ODA to fund the printing of the laws). The Laws (Revised Edition) Statute was passed in October 1994 which (a) empowers the LRC to consolidate all the statutory laws in force in the country as of the end of 1995; and (b) appoints two Commissioners to conduct the Law Revision exercise.

15. Institutional and Policy Framework for Law Reform. Law reform exercise in Uganda is the responsibility of a statutorily established body, called the Law Reform Commission. It is composed of a Chairman and six other Commissioners appointed by the President on the advice of the Attorney-General; to-date, the Chairman and three Commissioners have been appointed allowing the Commission to commence its work.

16. Law Reform: Focus on Private Sector Development. An activity which would be undertaken concurrently under the project would be the reform of the laws which impact upon economic activities, such as commercial, property and revenue laws, in order to spur on the required development of the private sector and to enhance investor confidence. In the recent past, some reports were prepared by GOU Task Forces to identify the most critical areas for law reform. The prioritization of laws requiring reform was undertaken with the assistance of the private sector at a one-day workshop which was held in Kampala in October 1994. The prioritized list of laws identified for reform during the period of project implementation have been agreed with IDA. The necessary draft laws are to be prepared, published as bills and submitted for the legislature’s consideration by July 1996. Ideally, law reform is an activity to be undertaken in-house by the Law Reform Commission so that GOU’s capacity can be built up. However, it is unlikely that this could be successfully undertaken given the fact that the LRC Commissioners are only recently appointed and the administrative structure is still being set up. The approach agreed between GOU and IDA is to use the services of consultants for the implementation of the activity of law reform and provide for the staff of the Law Reform Commission to be involved in the actual execution of the studies in order to enhance the in-house capacity of the Law Reform Commission.

17. Law Reform: Focus on Women In Development. IDA is also planning to fund (as part of the Law Reform exercise) amendment of laws relating to domestic relations. These laws define the rights
of women and have bearing on the position and treatment of women within society and their ability to engage independently in constructive commercial/economic activity. An earlier exercise had been undertaken by GOU but had not been completed due to various reasons. The agreed approach is for the draft law which had been prepared under the earlier exercise to be used as the point of departure for the current exercise. Using consultancy assistance, the draft law would be updated based on current socio-economic changes and would be discussed widely with various stakeholder groups. The draft Domestic Relations Bill is to be presented to legislature for consideration by December 1996.

Law Reporting

18. As discussed above, the Ugandan legal system is based on common law which has a legal theory that is deeply rooted in the precedent system. Similarly, research is required prior to undertaking law reform and introducing new legislation. As is the case for other activities in this sector, there has been no systematic law research and reporting due to lack of resources. This, in turn, has handicapped lawyers, prosecutors and judges who require readily available information on precedents in order to perform their duties. The main series of Uganda Law Reports is presently out of production; the backlog dates back to 1958 although between 1971-1973 three volumes were produced which are also currently out of print. In the absence of funding to produce the law reports, a shorter abstract of the decisions made by the Supreme and High Courts is currently being published; even this is out of date with its last edition having been published in 1991.

19. Institutional and Policy Framework for Law Reporting. The Law Development Centre (LDC) is responsible for compiling, editing and publishing law reports for Uganda. In addition, it has a substantial role in legal education (which has been discussed in the earlier section on legal education). Hence, not only does the LDC, like other Government institutions, suffer from a lack of resources but from the resources that it does secure, law research and reporting do not always receive highest priority. The law reporting component of the Centre’s work is the most important in view of the fact that it is the only institution in the country responsible for the compilation of case law for the entire legal profession.

20. The project will fund the preparation and publication of Law Reports. For the Law Reports between 1958-1970 (i.e. thirteen volumes), the materials for the reports have been assembled but only about 20 percent has been edited. Three volumes (i.e. 1971-1973) were produced and need to be reprinted. Finally, for Law Reports between 1974-1994 (i.e. twenty volumes), while the materials have been assembled, no editing work has been undertaken. Hence, there is a substantial backlog of editorial work to be undertaken and support is being provided through local consultants who will supplement the LDC’s in-house resources in order to get the Reports printed in a timely manner. An important objective to be achieved is to increase the level of cost recovery from the sales of Uganda Law Reports such that by the end of the project period, this activity would be largely self-financing.

Institutional Strengthening of MJCA

21. The project will provide support to the Ministry in improving its performance by providing:

a. substantial amount of staff training. Various officers within the Ministry will undergo training in the respective fields of their assignments. The training requested is mainly for study tours, Masters’ Degrees and Diplomas in specific relevant fields, short-term
courses and attachments to the relevant Departments in some of the neighboring Commonwealth countries. Given the unavailability of locally available legal training, the MJCA in conjunction with the CBS will develop a training program which would balance the need for training in specialized skills and the cost effectiveness of locally delivered courses using out-of-country trainers. Support staff training in computing, accounting, registry procedures, personnel management and office management would be undertaken locally.

b. access to legal information i.e. law books, updated and revised Laws of Uganda and the latest case law as embodied in the Uganda Law Reports. The books would be purchased competitively whereas the preparation of the latter two items is to be funded under the project;

c. increased access to inputs necessary to accomplish the job such as vehicles, office equipment, supplies, etc.

Institutional Strengthening of the Judiciary

22. The institutional weaknesses besetting the Judiciary result in delays in the handling of cases thus causing backlogs at all levels of the courts. The waiting period for a case to be disposed ranges from two to six years. Record keeping and retrieval of files is entirely manual and inefficiently organized such that it takes a number of days in some instances, to locate the right file. The institutional strengthening will be similar to that of the MJCA i.e. training, access to legal information and some assistance in acquiring inputs will be provided. Differences from the MJCA’s strengthening program will consist largely in the training program. Specifically, training will consist of:

a. Pre-Service Training. This will consist of induction courses that will be conducted for the newly recruited magistrates to familiarize them with the practical aspects of their profession and to develop appropriate specialized legal knowledge required in their job. The course will help develop a strong sense of ethical responsibility and a professional attitude which will underpin impartiality and discourage corruption. There are ten magistrates that are recruited annually and the course will be for a period not exceeding one month.

b. Promotional Training. This will be an in-service training conducted for senior magistrates who are eligible for promotion to judges in order to prepare them for their new assignment. It will be held once a year for sixty senior magistrates. The course will further serve to expose the participants to new developments in the various areas of law.

c. Training of Judges. Twenty seven judges will be trained by means of in-service seminars, workshops and study tours. This training will be specifically designed to keep judges abreast of recent legal developments and to provide them with less structured opportunity to have an exchange of their legal views and lessons of experience.

d. Attachments. Through this program registrars would undertake attachments with the neighboring countries with similar court system which have efficient registries.
The inputs provided to strengthen the Judiciary will ensure predictability of the law in Uganda thus encouraging investors to do business in the country as they will be assured of the availability of an effective enforcement machinery to protect their rights and property.

23. **Libraries.** The synergies involved in strengthening both institutions simultaneously will provide opportunities to reap economies of scale especially in the area of improved availability of information. Since the same Laws, Case Laws and books are shared by judges, prosecutors and defense attorneys, the optimal approach to providing information is to set up or improve commonly accessible Law Libraries. This can be expected to reduce duplication and provide substantial savings. Consequently, a study on Law Libraries has been undertaken from the PPF and its findings have been used to determine the scope of Libraries and the funding levels to be supported under the project.

**Outputs Resulting from Institutional Strengthening**

24. The inputs provided for institutional strengthening are expected to result in a better functioning Ministry which would improve the quality of service rendered to the public. However, there are two problems with output measurement: first, improvements may be qualitative (e.g. more consistent court decisions resulting from readier availability of Laws and Law Reports) and second, the improvements in quantified outputs may be dependent on factors other than the inputs provided by the project. This problem is further compounded by the fact that there has been insufficient monitoring of systemic outputs from the perspective of redressing shortcomings in the system.

25. **Systemic Measurements.** The primary unit of measurement in the system is the number of cases processed. The backlog of cases has become one of the primary indicators of the inefficiency of the system. However, as currently no measurements are made as to the causes of the delay (e.g. whether evidence was not available, whether witnesses were not present, etc.), it provides little information as to the causes of delays in the system. The project would assist in the development of computerized case management which will permit easy case monitoring and follow-up and will produce the data required to evaluate overall court performance. Also, pilot approaches will be undertaken to measuring the causes of the underlying delays in order to pinpoint bottlenecks, identify key areas of resource requirements and measure impact of various inputs.

26. **Measurement of project outputs.** The specific outputs which would be monitored under the project are detailed in Annex 3. In summary, these consist of specific tangible outputs which, of necessity, mirror the inputs (e.g. Law Reports printed, reformed laws presented to Parliament) and also other indicators which measure systemic improvements (e.g. backlog of cases cleared, ratio of legal training undertaken locally as percentage of total training, service delivery and level of support received from GOU by the devolved Administrator General and Registrar General).

**Increased Cost Recovery**

27. Based on the recommendations made as part of the Ministerial Review for the MJCA, Government has decided that in order to improve effectiveness and efficiency, the Department of the Administrator General/Public Trustee and the Department of the Registrar General should be devolved from Government. New corporate entities are to be established which would be self accounting and would deliver services to the public on a cost recovery basis. These decisions of Government provide
a unique opportunity to increase the level of cost recovery of the legal sector and the project will finance studies and the resulting implementation plans for setting up and increasing cost recovery from the two devolved Departments.

28. **Administrator-General's Department.** This department is charged with the responsibility of administering the deceased persons' estates as well as insolvent estates, and also acts as a Public Trustee for minors and legally incapacitated persons. For the services rendered by the department, it charges a fee of 1% at the time of the distribution of funds from the estate; this is low compared to the charges for similar services in other East African countries (e.g. Kenya charges 10% and Tanzania 7%). The department currently has sixteen professional positions with eleven lawyers on board. Its offices are based only in Kampala and it has no up-country presence.

29. The workload of the Department has grown in recent years due to two reasons: increasing number of deaths from AIDS; and lack of legal literacy which results in intestate deaths. The caseload has grown from 1153 in 1990 to 2422 in 1993. At the same time, the revenues earned from handling such estates has grown from 300 million U Sh to 913 million U Sh; costs have also increased substantially.

30. A study is underway to recommend the modality for establishing the new entity (including legislation required, organization structure, etc.) and review the various options for (a) improving service delivery in locations outside Kampala; consideration would be given to delegating service delivery to the district level as has been proposed earlier by the Ministry of Local Government; (b) increasing the level of revenue for each transaction handled while keeping charges to the average Ugandan at low levels (e.g. through a sliding scale percentage charge for services i.e. the higher the value of the estate, the higher the percentage fee); (c) evaluate methods of containing costs; (d) propose a plan for computerization of records management, accounting and budgetary control; and (e) make recommendations for increasing the returns from financial and land assets under control of the Public Trustee. The study is being financed from the Project Preparation Facility. The outputs of the study would, inter alia, include a three-year Business Plan. The condition of disbursement of funds to the Administrator-General's Office would be the provision of a satisfactory business plan covering at least the first three years of operation.

31. **Registrar-General's Department.** The main objectives of this Department is to attend to the registration of: all businesses and companies in Uganda; births, deaths, etc.; and intellectual property such as patents, copyrights and trademarks. Like all the other Departments within the MJCA the Office of the Registrar faces a plethora of problems which constitute a hurdle in its proper and efficient functioning. There is a chronic shortage of office supplies, more particularly registration forms which form the basic tools of the Department's work. Modern equipment, such as computers, is lacking and as a result the record keeping system as well as information storage is done manually. High vacancy rate for support staff further compounds the situation. The number of cases handled per day has increased due to the deaths resulting from AIDS as well as the increased economic activity occasioned by the current Government policy. As a result the Department presently registers an average of four companies, eight business names, five deaths and twenty five births per day. The amount of revenue collected by the Department has increased from some 224 million U Sh in 1990 to 486 million U Sh in 1993; a large proportion of this revenue is attributable to stamp duty. The growth of the volume of the Department's work necessitates its operational expansion to the areas outside Kampala where it is presently based. The scarcity of resources however, militates against this.
32. A study similar to the one for the Administrator General is being conducted for the Registrar General. The study will: (a) examine the modality for setting up the new entity including its organization structure; (b) review the registration system and make recommendations for its streamlining. Particular consideration should be given to the delegation of registration of births and deaths to the district level as has been suggested earlier by the Ministry of Local Government; (c) draw up an Action Plan for computerization of records management; (d) determine an appropriate rate structure and draw up a plan for increasing cost recovery over the life of the project. The study is being financed from the Project Preparation Facility. The outputs of the study would, inter alia, include a three-year Business Plan. The condition of disbursement of funds to the Registrar-General’s Office would be the provision of a satisfactory business plan covering at least the first three years of operation.

Parallel Donor Projects

33. DANIDA is funding a project to provide assistance to the Judiciary and in the continued construction/refurbishment of courts. The commencement of this project is currently pending the appointment of a Judicial Reform Commission since this a condition of effectiveness of that project.

34. USAID is funding the part of the Law Revision exercise which relates to the consolidation of the laws. The approach adopted will be an in-house effort in the Law Revision Commission. Two Commissioners would be appointed by Statute to carry out the Revision exercise which is expected to be completed over a period of three to four years.

35. Upon completion of the Law Revision, the consolidated Laws of Uganda would be printed by ODA. ODA is also reviewing its program to provide support to the Judiciary and to the Legal Sector; the results of these two reviews would be used to decide upon whether ODA’s ongoing programs to support the Judiciary and the police would continue and the nature of the assistance may be revised at that time.
Background

1. The development of accounting in Uganda has fallen behind the rest of Africa due to the past lack of support from the Government of Uganda (GOU) in the formation of the accounting profession and in the development of a local professional qualification. Uganda has a very small accounting profession, with less than 100 professionally qualified accountants and a similarly serious shortage of accounting technicians. The demand for accountants is very high, but because of the small numbers most accounting jobs are filled by staff with no formal accounting qualifications who may not be capable of carrying out the tasks assigned to them. In Government, the lack of qualified staff is exacerbated by the low remuneration and consequently, Government has been unable to produce its own accounts on time.

2. As a result of the mismatch between supply and demand, there is a heavy demand for accounting education in Uganda. However, the only accounting courses currently offered in the public sector are the Bachelor of Commerce Degree (accounting stream) at Makerere University and the Diploma in Business Studies at the College of Business Studies in Nakawa. Both of these qualifications are heavily oversubscribed. The only professional accounting qualifications available to Ugandans are foreign ones: i.e. the Kenyan Certified Public Accountancy qualification or a UK qualification. While some private colleges do offer study courses for both examinations, such courses are not readily available for later stages of the qualifications. Hence, the majority of students undertake correspondence courses or go overseas; either alternative results in the expenditure of large amounts of foreign exchange. Further, the taxation and legal systems which are studied as part of the Kenyan and UK qualifications are not relevant to Uganda and due to unfamiliarity with these systems, Ugandan students achieve a lower pass rate in both examinations.

3. Past Donor Support. In recent years, the GOU has realized that the development of accounting is important for the economy. As a first step, it sought donor support in the form of discrete projects aimed at improving the skills of specific cadres (i.e. accountants and auditors) within Government. Under the IDA Economic and Financial Management Project government accounting and auditing is being strengthened. The Office of the Auditor General is being assisted in: improving the structure and organization of audit planning administration and the quality of the audit documentation; introduction of specific audit techniques (e.g. value for money auditing and auditing of parastatals and local authorities); and a structured training program which would have the capacity to continue after the project. The Office of Treasury Accounts is being assisted in: introduction of structured training for the accounting cadre; improving the Treasury Inspectorate; and developing the internal audit function. Donor support in the development of the profession and a local examination has consisted of two studies both funded by ODA which laid out the next steps required in developing the profession and an examination.

4. Based on the findings of the above studies, the accountancy profession worked with GOU to legislate the necessary changes. In 1992, Government passed the Accountants Statute which established the Institute of Certified Public Accountants of Uganda to regulate the profession and maintain standards, and the Public Accountants Examinations Board to conduct accounting examinations. Unfortunately, during the passage of the Bill through Parliament, some changes were introduced which have led to continuing disputes regarding the membership of the Institute.
5. **Problems with the Statute.** The Statute allows for two categories of members: full and associate. It also allows for those currently engaged in public practice to apply for a license to practice. Only full members however, can vote at the Annual General Meeting, and be elected to the Council of the Institute. Hence, while the Statute provides plenty of reassurance for all those currently engaged in the practice of accounting that they would be able to continue to do so, it provides for a separate category (i.e. full members) who would be expected to lead the profession. As with similar Acts, the Statute includes a list of bodies whose members can be admitted into initial full membership, without the need to take any additional examinations. The bodies included in the Bill presented to Parliament were members of the International Federation of Accountants (IFAC). When the Bill was discussed in Parliament however, four bodies were added to the list: the Association of International Accountants of UK; the Institute of Chartered Managers and Administrators; the Institute of Chartered Secretaries and Administrators; and the Institute of Certified General Accountants of Canada. These bodies, apart from the Institute of Certified General Accountants of Canada, are not members of IFAC.

6. Of particular concern to professional accountants was the inclusion of the Institute of Chartered Secretaries and Administrators since, while qualified in the field of their specialization, the Chartered Secretaries training does not prepare them to be professionally qualified accountants. Further, since there are more Chartered Secretaries in Uganda than professionally qualified accountants, if admitted as full members they could dominate the Institute. Not being led by professional accountants would seriously hinder the development of the accounting profession in Uganda as well as reduce the possibility of the Ugandan qualification being internationally accepted. The dispute continued for an extended period of time and delayed the holding of the first General Meeting and the election of the Council; without these two key steps, the ICPAU could not commence its activities.

7. IDA’s position, after extensive discussions with various interested parties was that the Institute should be led by professionally qualified accountants. Consequently, IDA support for the ICPAU was contingent upon the Government amending the Accountants Statute to remove three bodies from the Act as eligible for full initial membership of the ICPAU; the Association of International Accountants of UK; the Institute of Chartered Managers and Administrators; and the Institute of Chartered Secretaries and Administrators. This change to the Statute, together with the holding of the AGM of the Institute and the election of the Council were conditions of negotiation of the project. These have now taken place.

**Component Objectives and Description**

8. As mentioned above the accounting profession in Uganda is very small and consequently does not have the necessary resources or expertise to establish an active professional body. If ICPAU is to effectively carry out the objectives of a professional body there is a need for external assistance. This component aims to support the establishment of the Institute of Certified Public Accountants of Uganda, and to provide the Institute with the assistance needed to accomplish its objectives.

9. **Commencement of ICPAU operations.** The component would assist the ICPAU to commence operations. The Governing Council of 12 members (eight elected, three ex-officio i.e. Commissioner Treasury Office of Accounts, the Auditor General, the Commissioner of Education, and one member appointed by the Minister of Finance) would be supported by the new administrative staff of the Institute to fulfil the following functions:
a. Admit members to the Institute, issue certificates and licenses of practice, maintain and publish a list of members of the Institute.

b. Approve courses of study and qualifications for registration, provide for the registration of students, and supervise and regulate the practical training and education of registered students.

c. Ensure the maintenance of professional standards amongst members and take steps to acquaint members with methods and practices necessary to maintain these standards, regulate the conduct and promote good ethical standards and discipline of members.

d. Promote the usage of internationally accepted accounting and auditing standards in Uganda and to make suitable adaptation where necessary.

e. Secure national and international recognition of the Institute.

f. Maintain a library of books and periodicals, and encourage publication of similar books and periodicals in Uganda.

g. Encourage research in accountancy.

10. To estimate the resources required to commence the implementation of the above activities, the Council of the ICPAU would draw up a business plan, covering at least the next three years. This plan is a condition of disbursement of the component. In the interim, initial indications of the immediate funding needs are:

a. the post of Secretary (the administrative head of the Institute). This post would be filled by an Ugandan who must be acceptable to IDA. Appointment is a condition of disbursement of this component.

b. Rental of a small set of offices, which would include the provision and stocking of a small library.

c. Office furniture and equipment.

d. Short-term technical assistance, through a twin, to assist the Institute adapt international accounting and auditing standards to be suitable for Uganda, and to devise a code of professional ethics, and funding for publishing these for members, students, and the business community.

e. Funding for the development and introduction of continuing professional education courses.

11. Development of a local professional qualification and associated examination. The primary modality for development of a local qualification would be to help the Council of the Institute and the Examination Board design a scheme of examinations, with detailed examination syllabuses and reading lists, and prepare and moderate examination papers. Funding would be provided for a twinning
arrangement which would provide short-term technical assistance. Further funding would also be provided for publishing the above and holding seminars to inform students and the teaching institutions of the new courses. It is projected that the first course of study for the CPA examinations will commence in September 1996 and the first examination will be held in June 1997.

12. **Self-financing.** An important goal for the Institute will be to become self-financing. Currently the membership base of the ICPAU is small, with approximately 100 full members and 60 associate members. This will not provide the Institute with sufficient revenue to fund all its activities. A potential source of income for the Institute and the Examination Board will be student registration and examination fees. There are estimated to be about 1000 students in Uganda studying for external accounting qualifications. When the Institute is able to offer national examinations it will be able to recruit students. Building up a student base will take time however, as existing students may wish to continue with their current studies rather than switch to the ICPAU examinations. As a result of this, it is unlikely that the ICPAU will become self-financing by the end of the project, and additional sources of funding will have to be sought. One of the objectives of the business plan referred to above is to review post-project financing of the ICPAU. *A condition of disbursement of this component will be the signing of a Subsidiary Grant Agreement between GOU and the ICPAU.*

**Twinning Arrangement**

13. As Uganda does not currently have the expertise in running an Accountancy Association especially with respect to establishing its own examinations, a twinning arrangement would be established with another professional accounting body to help in this regard. The twin will be a member body of the International Federation of Accountants, with a good track record of setting examinations, and developing accounting and auditing standards. The twin will provide short-term in-country inputs as needed. In addition, the Secretary will spend some time with the twin learning how it operates.

**Continuing Professional Education**

14. Besides the introduction of a professional qualification those accountants already qualified see the need for subsequent professional training. Many of them have received no further training since qualification, and they realize that they have not kept up-to-date with new techniques. In addition, there are many people practicing accounting who have had no formal training. The profession sees ICPAU as playing an important role in professional development by offering seminars. Initially the Institute aims to offer four CPE courses per year on matters of interest to the profession. A questionnaire will be sent to all members to identify training needs. These courses will form the basis of a more extensive CPE program, which the Institute hopes to introduce after it has gained experience under the project. The CPE courses will be a source of revenue for the Institute.

**Project Implementation**

15. The Institute's Council will be responsible for implementing this component.
Background

1. Training of Civil Service staff has in the past been undertaken in an ad hoc manner. There has been no overall training plan for GOU staff and a large proportion of the training has been undertaken through donor funding, often in the context of specific projects. Further, the past approach to the improvement of delivery of training in Uganda has focused upon improving the available supply of training. Specific institutions were chosen and assisted, primarily by donors, through provision of: civil works, equipment and technical assistance (including through twinning arrangements), overseas training and study tours. This approach has had two main shortcomings:

   a. Public and private sector entities which constitute the demand for training have had only a marginal input into the structure of courses being provided by the training institutions. The only choice available to these institutions has been to send their staff to the available local training or send their staff outside Uganda at a higher cost to be trained in more relevant skill areas. The lack of market orientation on the part of the training institutions was due to a low impetus for cost recovery. Since the training institutions were being funded directly by Government or donors, the need to get revenues from the trainees was not an overarching objective. This in turn meant that tailoring courses to trainee needs and improving capacity utilization were not important priorities. Hence, the available local supply of training determined the demand for local training rather than the demand for training driving the supply of training.

   b. Other than the few institutions supported by donor funding, there was no broad based development of local training institutions since there was no functioning market for matching demand and supply of training. This situation was further exacerbated by the existing training institutions being able to offer lower prices since they received direct subsidy from Government and/or subsidies in kind from donor funded civil works, equipment, etc.

Project Approach and Objectives

2. Demand Based Approach. Given the shortcomings of the past approach described above, the project attempts to develop a demand based approach which places the funds in the hands of the institutions needing the training and allows these institutions to define their requirements and subsequently

---

1 This assessment was made based on a study sponsored by the Capacity Building Secretariat (CBS) in the Ministry of Finance and Economic Planning as part of the background work for the preparation of the Government of Uganda's Capacity Building Plan. The report entitled Study on Uganda Training Facilities and Impact on Performance was prepared by Development and Management Consultants Inc., April 1991.
 allows training institutions to compete for the provision of training. This approach is being tested in other recently begun IDA projects in other African countries. One modality has been to focus at the individual trainee level i.e. place demand directly in the hand of trainees by providing them with training vouchers and let them choose the institution where they desire to be trained. This approach is suitable for technical and vocational skills training. The second modality has been to provide the funds to the institutions needing training which can then define their demand. This approach is more appropriate for job specific skills that benefit the organization to a greater extent than the individual trainee. These skills are systemic implementation skills.

3. **Focus on Implementation Skills.** The need for general management and implementation skills, in addition to technical skills, has been a recurrent theme in Uganda's educational policies since the late 1960s. During the following twenty years, a number of studies aimed at identifying skill gaps in the economy were prepared, including the most recent example of a National Manpower Planning Survey completed in 1989. The lack of such skills are among the hindrances to the growth and competitiveness of private sector organizations and the effective delivery of services by the public sector. The proposed project will concentrate on building local capacity in those disciplines which focus upon implementation i.e. general management, finance and accounting, procurement and computing skills. In addition, given the focus on the legal sector, legal skills have also been included for funding.

4. **Support to A Larger Number Of Training Institutions.** This is an important element of the project approach. The purpose of this is to broaden the underlying base of training suppliers in the local market as well as to focus on a segment of the market which has the potential to develop further but has historically been excluded from receiving Government or donor support since it constitutes a second tier of the training suppliers' market. While there would be direct provision of inputs as under the past approach, the support would avoid the earlier pitfalls by: (a) identifying the suppliers to be strengthened on the basis of their technical responsiveness to training needs of the local market; (b) targeting the assistance on the basis of the supplier's self-defined requirements; and (c) requiring a substantial level of cost sharing. This new approach to strengthening training institutions is also being attempted under another IDA project under development.
Component Objectives and Description

5. This component will help establish a system to:

a. provide a demand based approach to improving the quality of training in implementation skills; and

b. improve the quality of training institutions supplying training in implementation skills.

6. The component’s objectives would be met through the establishment of two separate training funds. The first fund would provide purchasing power to public and private sector institutions on a cost sharing basis to competitively acquire their training needs from the local market. This fund would be called the Public Sector and Private Sector Matching Grant Fund (Fund I). The second fund would be available to selectively identified weak training institutions which would be assisted in strengthening through staff training and acquisition of study materials and equipment on a cost sharing basis; it would be called the Training Suppliers' Strengthening Fund (Fund II).

Institutional Framework

7. This component would be managed and overall project administration would be undertaken by the Capacity Building Secretariat. The component specific role is in line with the general mandate identified for the CBS under the Ugandan Government’s Capacity Building Plan i.e. to provide the operational link between the training needs of public and private sector organizations and the training providers. However, this necessitates the rebuilding of the CBS since while it has been in existence from 1991, it has been an ad hoc body and its members have full time duties elsewhere. The rebuilding process has commenced with GOU appointing its Task Manager for the project as the Head of the CBS. Further, the administration staff for the CBS have been identified and are expected to come from the project office for the Economic and Financial Management Project. Staff dedicated to the training programming, monitoring and evaluation are to be recruited. A short-term consultancy was undertaken to define the Terms of Reference for the Training Funds component staff and prepare detailed guidelines for the operation of Funds I and II and the impact evaluation. The process of recruiting Training Funds component staff is underway.

Phasing of Implementation

8. Once the Training Component Manager and staff are appointed it will be necessary for them to be familiarized with the training processes through on-the-job training. This learning is expected to occur during a pre-operational phase i.e. before the component begins disbursing funds. The proposed approach is for the CBS to work closely with the Ministries of Public Service and Local Government as these Ministries acquire training services for the Central Government and Local Government Capacity Building components using the demand based procedures which are described in paras 11 through 13. The CBS will then use this experience by acquiring training for the Legal Sector Reform and Accountancy Strengthening components. After a sufficient period of on-the-job training has elapsed, the capability of the CBS to implement operations under the Fund would be assessed. At the same time, the implementation experience in Uganda (and other African countries where similar approaches are being attempted) would be reviewed. Consequently, the condition of disbursement for the Training Funds Component would be agreement between GOU and IDA that: (a) the CBS staff have demonstrated
capability to implement the Training Funds component through (i) participation in the procurement of at least two rounds of training under the Central or Local Government Capacity Building components and (ii) satisfactory management of at least one round of training under the Legal Sector Reform or Accountancy Strengthening components; and (b) the detailed guidelines in the Implementation Manual pertaining to the implementation of the Training Funds component would have been reviewed and, if warranted by the review, amended in the light of experience. It is expected that, based on the projected schedule for hiring and training the Training Fund Component staff, the component would meet its condition of disbursement no later than July 1, 1996 i.e. about one year after project effectiveness. Assurances were also received at negotiations that a special review of the operations of the Training Funds component would be undertaken after the end of the first year of operation of that component.

9. Sensitization Seminars. Once a decision is made that the commencement of operations under the component are imminent, the CBS would organize seminars to inform the local market about the facility and to guide prospective participants on procedures required to acquire funding from: Fund I for purposes of staff training; and Fund II for purposes of supplier strengthening.

The Public Sector and Private Sector Matching Grant Fund (Fund I)

10. This fund would provide matching grants to public and private sector institutions for training of their staff. For Central Ministries and Districts, Fund I would provide 90% of the resources with 10% of the resources being provided by the Government entities; actual cost funded by Government entities would be higher since training allowances would not be funded under this component. Private sector organizations would access Fund I through trade/industry associations; the cost sharing arrangement would be 50% of the costs of training to be provided by the private sector and 50% to be provided by Fund I. The fund would acquire training needs through a transparent and competitive bidding process which will allow all local training institutions, both publicly funded and private, to participate in service delivery as described in para 11 below.

11. Approach for Procurement of Training Services under Fund I. Procurement of training services will commence with the submission of training requests in the designated skills areas by eligible organizations (i.e. Central Ministries, districts or trade/industry associations) to the Capacity Building Secretariat (CBS). The requirement for a cost sharing contribution will be the primary screening mechanism for exclusion of gratuitous training requests. Requests from various entities would be packaged on two criteria by the CBS. First, requests would be consolidated based on the skill area (e.g. accountancy). Second, where the number of trainees in a given request may exceed the average capacity of local training suppliers in the subject area, the training needs would be divided into two or more requests for Training Services. After packaging the training plans, the CBS would request the training services from suppliers by local advertisement. When proposals are received, an Evaluation Committee would be set up to compare proposals and select the highest evaluated bidder based on the technical proposal submitted (which would have a weightage of no less than 85% of the evaluation points) and the price of the proposal (which would have a weightage of a maximum of 15% of the evaluation points).

5 It is important to note that some Government ministries and districts would receive separate training under other components which is required for the successful implementation of those components. If such Central ministries or districts require additional training, they can participate under this Fund on the prescribed cost sharing basis.
The Evaluation Committee would consist of the following: a representative from each benefiting organization (i.e. Central ministry, district or trade/industry association), a member of the Training Component staff of the CBS and an independent training expert to be appointed by CBS who would also be acceptable to IDA.

12. An important aspect of the selection process would be the technical evaluation criteria; the categories for evaluation and the relative weights assigned to each category would be similar to those normally designated in the selection of consultants under IDA procedures. Specifically, a large proportion of the technical merit score would be based on:

   a. the quality of the technical proposal. The relevance of the training approach would be the most important consideration. Factors considered would include training location (e.g. on-the-job training for district staff vs. off-site training within district vs. training in Kampala), customization (e.g. group training vs. individualized training, tailor-made vs. standardized training, practically oriented vs. academic training);

   b. the experience of the firm and the instructors in delivering similar training. In the initial stages, the CBS’s principal information base would be from referees provided by the training suppliers for similar work performed. However, as CBS develops its own capability for training impact assessment (both through observation by its own staff and through trainee evaluations), this information would also be used for purposes of assigning marks to firms on this criteria.

13. Once the best proposal has been selected, the CBS would verify the ability of the selected supplier to deliver the service. This will necessitate the following steps to be undertaken by the CBS:

   a. verification of registration, accreditation and operating license and insurance;

   b. determination of the availability of trainers included in the technical proposals and ensuring a sufficient ratio of professionally qualified staff in the relevant field of expertise. A ratio of at least one professionally qualified staff for every fifteen to twenty students proposed to be trained would be utilized to ensure a sufficient number of trainers; and

   c. certification of physical facilities and equipment necessary to conduct training in the selected subject area or evidence of ability to acquire such facilities (e.g. contingent contracts) if the training contract is awarded to the supplier.

CBS would document its findings regarding the ability of suppliers to deliver on the contract and these would be reviewed by IDA staff during project supervision.

14. **Timing of Operation and Size of Fund I.** Fund I would commence operations in July 1996 and two rounds of training (July 1996 to June 1997 and July 1997 to June 1998) would be funded. Since the fund is being piloted, it is difficult to completely estimate and satisfy all training needs and these funds would be allocated on a first come first served basis. The primary mechanism for screening out gratuitous training requests will be cost sharing. For Government organizations, the 10% of the cost of training and funding of the training allowances (which are excluded from funding under this component)
is expected to result in rationalizing requests. For private sector organizations, the delivery mechanism (i.e. through registered industry/trade associations) and the higher level of cost sharing of 50% are expected to achieve the same results.

The Training Suppliers' Strengthening Matching Grant Fund (Fund II)

15. This fund would be available to selected weak training suppliers to improve their service delivery capacity. To qualify for support under Fund II, the training suppliers will have to be:

a. Majority locally owned;

b. Receiving no other assistance from donor funded projects;

either
c. During the pre-operational phase of the component, the firm should have: (i) competed for provision of training services under the Central and Local Government Capacity Building components by submitting bids for at least 1/4 of the requests for training services in one area of implementation skills; (ii) have consistently ranked within the 20 percent of the top technical marks during bid evaluation during the entire pre-operational phase and not secured a single training contract from the Central or Local Government Capacity Building Components.

or
d. During the first year of the operational phase, the firm should have: (i) competed for provision of training services under Fund I having submitted bids for at least 1/4 of the requests for training services in one area of implementation skills; (ii) have consistently ranked within the 20 percent of the top technical marks during bid evaluation during the entire pre-operational phase and not secured a single training contract from Fund I.

16. Each training supplier could receive assistance for staff training, acquisition of training related study materials and books and equipment. There will be several checks and balances built into the system to prevent misuse of strengthening funds. First, no suppliers which have won contracts under Fund I will be eligible for funding under Fund II. Second, no funds would be provided directly to training suppliers; all training, study material, books and equipment will be acquired on their behalf by CBS through a competitive process. Third, cost sharing will be differentiated based upon the cost element: training of trainers would be funded at 90%, study material and books at 50% and equipment at 25%. Fourth, no expenditures on civil works or operating costs will be allowable under Fund II. Fifth, in order to receive the services/equipment under the project, the institutions to be strengthened will need to first provide their contribution to the CBS.

17. Training institutions eligible to apply for funding under Fund II will submit their strengthening (i.e. staff development/training and equipment) requests to the CBS. The proposals would state the requirements for staff training in person-weeks while requirements for study material and equipment would be sufficiently detailed to enable the CBS to procure the needed equipment. The strengthening proposals would cover a twelve month period. CBS would conduct the bidding and selection processes similar to those described for Fund I training and complete selection. Advertising of the requests for strengthening proposals may be made in other countries in the region to encourage institutions with the capacity to deliver Training of Trainers to participate. Further, equipment purchases would be made in accordance with IDA’s International Competitive Bidding processes. The CBS will
be required to physically inspect facilities and equipment provided under the project for use by suppliers. Its findings would be formally documented and should be available to IDA during project supervision.

18. **Timing of Operation and Size of Fund II.** Fund II is expected to commence operations at the beginning of the component. There are expected to be two rounds of assistance: at the start of the component and one year thereafter. Based on the amount being allocated for each institution to be strengthened and the number of training institutions in the local market which appear to be eligible for strengthening on the basis of a survey, the size of Fund II has been set at $1 million.

**Impact Evaluation**

19. As the CBS gains experience in administering the procurement processes for both Funds, its emphasis would shift to impact evaluation. This will be undertaken in two ways. First, CBS staff will observe the training sessions and assess the effectiveness of training delivery mechanisms as compared to the technical approaches initially proposed. Second, the trainees would also provide their own assessment of the course, the trainers and the applicability to their actual work. Both these assessments are expected to feed back into the evaluation process and would be used in scoring some criteria of the technical evaluation. Additionally, the data collected would be made publicly available to all institutions interested in conducting training outside of the proposed project.

**Training for Community-Based Groups**

20. As the decentralization program of the Government proceeds, the role of local communities in defining and participating in service delivery is likely to increase. A comprehensive IDA sector study of the Non Governmental sector in Uganda indicated that the best approach to strengthening the ability of the Community-Based Groups in Uganda was to use local and international NGOs as capacity builders/trainers. Based on this concept, the Economic Development Institute has been assisting the UNDP in developing a project which is projected to commence in January 1995 and be completed in three years i.e. by December 1997.

21. Commencing in January 1997, GOU and IDA would review the experience of the UNDP project. If it has been successful in increasing the capacity of the CBGs in project planning and implementation, then commencing in July 1997, a small sum ($250,000) would be made available for this initiative out of Fund I.

---

PREFACE

CHAPTER I
PROJECT SUMMARY

CHAPTER II
ACTION PLAN: CENTRAL GOVERNMENT CAPACITY BUILDING COMPONENT
A. Component Description
B. Implementation Timetable
C. Terms of Reference
   C1. Consultancies
   C2. In-house Implementation
D. Training Plan
E. Outputs

CHAPTER III
ACTION PLAN: LOCAL GOVERNMENT CAPACITY BUILDING COMPONENT
A. Component Description
B. Implementation Timetable
C. Terms of Reference
   C1. Consultancies
   C2. In-house Implementation
D. Training Plan
E. Outputs

CHAPTER IV
ACTION PLAN: LEGAL SECTOR REFORM COMPONENT
A. Component Description
B. Implementation Timetable
C. Terms of Reference
   C1. Consultancies
   C2. In-house Implementation
D. Training Plan
E. Outputs
CHAPTER V
ACTION PLAN: ACCOUNTANCY STRENGTHENING COMPONENT
   A. Component Description
   B. Implementation Timetable
   C. Terms of Reference
      C1. Consultancies
      C2. In-house Implementation
   D. Training Plan
   E. Outputs

CHAPTER VI
ACTION PLAN: TRAINING FUNDS COMPONENT
   A. Component Description
   B. Implementation Timetable
   C. Terms of Reference
      C1. Consultancies
      C2. In-house Implementation
   D. Training Plan
   E. Outputs

CHAPTER VII
PROJECT ADMINISTRATION PROCEDURES
   A. Project Administration
      A1. Project Administration Structure
      A2. Terms of Reference for Project Administration
   B. Procurement of Goods and Consultants
   C. Selection and remuneration of GOU staff
   D. Procurement of Training
   E. Disbursement Procedures
   F. Funds Management
   G. Accounting and Auditing
   H. Reporting and Reviews
   I. Legal Agreements
SELECTED DOCUMENTS IN PROJECT FILES

2. Government of Uganda Technical Assistance Policy, 1993
3. Accountants Statute, 1992
4. Local Government (Resistance Councils) Statute, 1993
7. IDA Sector Work on Capacity Building, 1991
8. IDA District Management Study, 1992
9. Civil Service Reform Action Program and Quarterly Updates.
10. Survey of Accounting Assistance Requirements for first thirteen decentralized districts.
12. Survey of District Registry Requirements.
13. Study for National Records Center.
Report No: 13810 UG
Type: SAR