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MEMORANDUM AND RECOMMENDATION
OF THE
PRESIDENT OF THE
INTERNATIONAL DEVELOPMENT ASSOCIATION
TO THE
EXECUTIVE DIRECTORS
ON A PROPOSED IDA CREDIT
IN THE AMOUNT EQUIVALENT TO SDR 25.0 MILLION
TO
THE REPUBLIC OF UGANDA
FOR THE
INSTITUTIONAL CAPACITY BUILDING PROJECT

MAY 9, 1995

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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

REPUBLIC OF UGANDA
INSTITUTIONAL CAPACITY BUILDING PROJECT
CREDIT AND PROJECT SUMMARY

Borrower:	Republic of Uganda
Implementing Agencies:	Ministry of Public Service, Ministry of Local Government, Ministry of Justice and Constitutional Affairs, Ministry of Finance and Economic Planning, Institute of Certified Public Accountants 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
Credit Amount:	SDR 25.0 million (US\$36.4 million equivalent)
Terms:	Standard, with 40 years maturity
Financing Plan:	See Schedule A
Staff Appraisal Report :	13610-UG
Map:	IBRD 26454
Project Identification No.	UG PA 2976

**MEMORANDUM AND RECOMMENDATION OF THE PRESIDENT
OF THE INTERNATIONAL DEVELOPMENT ASSOCIATION
TO THE EXECUTIVE DIRECTORS
ON A PROPOSED CREDIT TO THE REPUBLIC OF UGANDA
FOR AN INSTITUTIONAL CAPACITY BUILDING PROJECT**

1. I submit for your approval the following memorandum and recommendation on a proposed development credit to the Republic of Uganda for SDR 25.0 million (US\$36.4 million equivalent) on standard IDA terms with a maturity of 40 years to help finance a project for institutional capacity building.

Sector Background

2. Capacity building in Uganda is particularly challenging because 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 Movement (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 lack 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 revenue collected by Government and, of necessity, increasing salaries meant reducing the total complement of staff through rationalizing Ministerial structures. Capacity Building in Civil Service is discussed in paragraphs 3 and 4 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 paragraph 5 below). 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 paras. 6 to 10 below).

3. *Capacity Building in the Civil Service Reform:* As discussed above, the initial attempts at reform focused on reducing the numbers of part time employees and rationalizing the numbers, roles and functions of ministries. In October 1990, a policy framework for a comprehensive civil service reform was presented by the Public Service Review and Reorganization Commission (PSRRC). Its implementation has so far resulted in: significant real increases in salaries (although salary levels are still far below a living wage); 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 reducing staff from 1990 payroll payments of 320,000 employees to some 148,000 as of December 1994. Despite the substantial achievements, the following issues need 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; 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.

4. *Decentralization:* Efforts to build capacity in the Civil Service have been extended to local governments due to the Government's decentralization program. Political decentralization was

introduced, beginning in 1987, through the Resistance Council (RC) system which consists of a hierarchical structure of Councils and Committees. After considerable study over the next several years, decentralization of administrative authorities and responsibilities to match the RC structure was approved through the Local Governments (Resistance Councils) Statute of November 1993. The implementation of this Statute will result in Central Government functions being reduced to policy formulation, planning, inspection and the management of national programs with all other services being provided at or below the District level. The implementation of the reform is well underway and the commitment of Central and local Governments to its implementation is evident. Personnel decentralization is being undertaken immediately. Financial decentralization is being implemented in a phased manner: (a) the recurrent budget is being decentralized first; (b) there is a phasing of districts (thirteen districts beginning in 1993/94, fourteen districts in 1994/95 and twelve districts in 1995/96); and (c) implementation is in two stages i.e. in the first year there is only a transfer of control over line item expenditures followed in the second year with decision making on budget priorities. Successful implementation of the decentralization program is likely to remain extremely challenging because of shortcomings in resources and human capacities in the local governments.

5. *Uganda Policy on Technical Assistance:* The Uganda Policy on Technical Assistance (TA) was prepared by GOU as part of a UNDP funded National Capacity Planning exercise. The report notes that the majority of the free standing TA has so far been in the form of "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 an 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).

6. *Uganda Capacity Building Plan:* 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). 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. From the total program identified in the plan, IDA focused its assistance towards three key areas i.e. the legal, accountancy and training sectors as discussed in paras 7 to 9 below.

7. *Legal Sector:* The Constitution of Uganda and the Judicature 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 coexistence with customary law. There are two major weaknesses: the legal framework and in the institutions. Laws which affect business, industry and private sector development are in dire need of modernization. The problem of outdated

laws has been exacerbated by the absence of timely and rigorous enforcement of these laws due to weaknesses in the major institutions in the sector which are caused by: 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 and the latest Court decisions; and lack of office supplies. So far, the Government has been able to address the problems only on a limited basis. Donor assistance 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. Recently, the Government has increased salaries of lawyers in the Civil Service to living standards which should provide a major impetus to improving the quality of staffing in the sector.

8. *Weaknesses in Financial Accountability Framework and Institutions:* Uganda has a very small accounting profession, with fewer than 100 professionally qualified accountants and a similarly serious shortage of accounting technicians. The demand for accountants is very high, but most accounting jobs are filled by staff with no formal accounting qualifications. 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. The Accountants Statute was passed in 1992 to organize the profession and introduce a local professional examination. Implementation had been mired in disputes between professional accountants and practicing accountants as to who should lead the profession. This has now been resolved and implementation of the Statute has commenced.

9. *Weaknesses in Local Training Institutions:* 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 twinning arrangements), overseas training and study tours. This approach 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. 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 no broad based development of local training institutions since there was no functioning market for matching demand and supply of training.

Project Objectives

10. 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.

Project Description

11. The project will consist of five components: central and local government capacity building, legal sector reform and accountancy strengthening, and training.

12. *Central Government Capacity Building Component (\$6.62 million)*: Support to the Civil Service Reform program which is currently being provided through the Economic and Financial Management (EFM) Project (Cr. 2418-UG) would continue by: assisting streamlining of the civil service, improving the transparency of personnel management and focusing the civil service on efficient and effective service delivery.

13. 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 in the areas of: (a) improving central personnel management systems; and (b) 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 the individual ministries, (a) the implementation of the Ministerial Reviews (which are the restructuring plans for those ministries) would be supported; and (b) ministry level personnel management functions would be strengthened. Transparency of personnel administration would be improved. Specifically, improved personnel management practices would be established. A new salary structure would be put in place by July 1996. Other key activities would include: establishment of civil service examinations, development of a performance recognition system, and revision and issuance of new Standing Orders. To support the move towards greater transparency and accountability, all Civil Servants will be expected to adhere to a new Code of Conduct which would be developed and issued by July 1996. To ensure compliance with the new procedures, the MPS Department of Inspection would be strengthened primarily through development of inspection procedures and staff training.

14. Results Oriented Management (ROM) which focuses civil servants on service delivery through the achievement of definite objectives within specified time targets will be introduced. A baseline service delivery survey would be carried out to establish the reference point of measurement; separately specific performance standards for each Ministry would be defined. From FY97, ROM would be introduced into GOU budgeting processes including annual measurements and evaluation against the goals.

15. The focus on efficiency will come through improvement in two important support services underlying service delivery i.e. facilities management and records management. For facilities management, a study would be undertaken to recommend better policies for the management of physical facilities i.e. buildings, physical plant and equipment. Taking into account the findings of this study, GOU would introduce the new facilities management policies in its budgeting processes commencing from FY98. The study would also review the utilization of Ugandan Government physical facilities abroad, and recommend the optimal size of such facilities and approaches to managing them. The Records Management assistance provided under the project would complement ongoing activities being undertaken through ODA funding; staff training would be provided and the establishment of a National Records Centre assisted.

16. *Local Government Capacity Building (\$12.74 million)*: This component would continue the process of assisting local governments to improve their abilities to manage and administer responsibilities entrusted to them. It would complement assistance already being provided by DANIDA. The assistance would be phased in line with the phasing of Government's decentralization

program. The project would assist in implementation of the agreed changes in the system of inter-governmental finance and develop implementation plans for future changes to be implemented including: studying and making recommendations for decentralization of the development budget by June 1996; and proposing establishment, capitalization and management of a revolving development fund by June 1996. Phased decentralization of the development budget would commence from July 1997. Simultaneously, the process of strengthening financial and personnel management structures, systems and procedures would continue. The credit would also support training in: planning, 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. Finally, the credit would support the introduction of Results Oriented Management into local government budgeting procedures by FY97 at the district level in a manner similar to that envisaged for the Central Ministries (see para 14 above).

17. The credit would support physical retooling. The basic improvements required to establish a reasonable level of physical infrastructure for the district administrations would be financed. This would consist of refurbishing building exteriors and interiors, making windows burglar proof, etc. The end product would be modest offices out of which District Administrations could operate. Essential inputs (e.g. office, computing equipment and furnishings) would also be provided.

18. 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.

19. *Legal Sector Reform Component (\$8.24 million)*: This component would focus upon the commercial aspects of law and on the settlement of civil disputes.

20. 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. Currently, the system of legal education is based on the Report of the Gower Commission (1969). All prospective lawyers in Uganda have to undergo training in professional skills (after completing the substantive study of law) for a period of one year at the Law Development Centre (LDC) which limits its intake of students to sixty per year. LDC has also been unable to dedicate any significant level of resources to Continuing Legal Education (CLE) for the profession and 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. Upon completion of the study, GOU would issue its Policy on Legal Education.

21. Law revision (i.e. the process of consolidating various Laws of Uganda into a series of volumes) would be undertaken through parallel donor financing; USAID would fund the consolidation of laws and ODA would fund the printing of the laws. Law reform (i.e. the amendment of specific laws from the perspective of modernizing these laws within the socio-economic context prevalent in Uganda) would be financed through the credit to help the Government remove impediments to GOU's stated objective of making the private sector the focal point for growth in the economy. Draft laws would be presented to the legislature by July 1996. Assistance would also be provided in reforming 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 law would be presented to the legislature by December 1996.

22. The Ugandan legal system is based on common law which has a legal theory that is deeply rooted in the precedent system. 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. The preparation and publication of Law Reports would be supported and the backlog of over three decades would be removed.

23. Institutional strengthening of the Ministry of Justice and Constitutional Affairs (MJCA) and the Judiciary would be undertaken by providing: substantial staff training; access to legal information, i.e. law books; updated and revised Laws of Uganda; the latest case law, as embodied in the Uganda Law Reports; and access to inputs necessary to accomplish the job.

24. Increased cost recovery for services delivered by the legal sector would be piloted commencing with two Departments which are being devolved from the MJCA i.e. the Administrator-General's Department (AG), which administers deceased persons and insolvent estates and acts as the Public Trustee for minors and legally incapacitated persons; and the Registrar-General's Department (RG), which registers all businesses and companies, births, deaths, etc, and intellectual property such as patents, copyrights and trademarks. Both departments already partially recover the cost of service provision and have considerable scope to improve service delivery outside Kampala. Studies are being conducted to examine the modalities for the establishment of the new entities, improving service delivery through streamlining (e.g. computerization of systems and delegating service delivery) and improving cost recovery. On the basis of these studies, three year Business Plans would be prepared for both entities.

25. *Accountancy Strengthening Component (\$0.98 million)*: The component would support the accountancy profession by: (a) assisting the Institute of Certified Public Accountants to commence operations and fulfil its statutory functions, including issuance by June 1998, of local accounting and auditing standards in a phased manner; (b) developing a local professional qualification and associated examination, with the first examination being held by June 1997; and (c) undertaking training for Continuing Professional Education of accountants.

26. *Training Funds Component (\$7.02 million)*: This component will help pilot a system to: (a) establish 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. The component's objectives would be met through the establishment of two separate training funds. The first fund (the Public Sector and Private Sector Matching Grant Fund) would acquire competitively, from the local market, the training requirements of public and private sector institutions. Cost sharing is expected; 10 per cent of the cost of training from public and 50 per cent from the private sector respectively. The second fund (the Training Suppliers' Strengthening Fund) would be available to selectively identified weak training institutions which have potential. Their strengthening would be assisted on a cost sharing basis for staff training (90 per cent funding), acquisition of study materials (50 per cent funding) and equipment (25 per cent funding).

Project Costs

27. The program cost is estimated at US\$42.19 million equivalent (U Sh 39 billion) inclusive of \$1.85 million of taxes and duties. 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. A breakdown of costs and the financing plan are shown in **Schedule A**. Amounts and methods of procurement, disbursements and the disbursement schedule are shown in **Schedule B**. The key processing events are shown in **Schedule C** and the status of Bank Group operations are shown in **Schedule D**. The Staff Appraisal Report (13610-UG) is being distributed separately.

Project Financing

28. The proposed IDA credit of US\$36.35 million equivalent will finance 90% of project costs net of duties and taxes; of this, US\$1.11 million would be provided by GOU to the ICPAU to implement the Accountancy Strengthening component. The local contribution provided directly by Government will be for an estimated amount of US\$4.88 million. In addition, the private sector will share in the costs of the training funds component by contributing \$0.96 million. There are also 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.

Project Implementation

29. The overall management for implementation and supervision of the project will be the responsibility of the Project Steering Committee (PSC), which is to be established within sixty days of credit effectiveness. The PSC will be chaired by the Permanent Secretary/Secretary to the Treasury, Ministry of Finance and Economic Planning 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 working level Technical Committee which has been established for project preparation will continue to remain responsible for project implementation and will report to the PSC. The Technical Committee would be chaired by the GOU Task Manager and its membership would consist of the Component Managers for all five components who will be responsible for supervising the substantive aspects of the project. The Capacity Building Secretariat (CBS) in the Ministry of Finance and Economic Planning will provide the administrative support for the project. A Project Administration Group would also be established and trained within the Ministry of Local Government with the objective of developing a capacity within that Ministry to manage, inter alia, future district level projects and disseminate good procurement practices in the districts.

Project Sustainability

30. The project is expected to be sustainable since it supports and is consistent with GOU policy and legal frameworks for the sectors concerned. 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 Public Sector Review and Reorganization Commission (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 has been in place; and (c) the Accountancy Strengthening component supports implementation of the Accountants Statute of 1992.

Lessons from Previous IDA Experience

31. IDA's Second Technical Assistance Project (FY84-92) and Third Technical Assistance Project (FY87-94) had as their prime objectives 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. 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, the 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. Second, given the decentralization of activities to the district level, the project has expanded its focus to include local governments.

Rationale for IDA Involvement

32. The project is closely linked with the objectives of the **Bank Group Country Assistance Strategy (being presented together with this Project to the Executive Directors)** 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.

33. The project focuses on 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.

Agreed Actions

34. a. The following are the *conditions of credit effectiveness*: (i) GOU depositing the Uganda Shilling equivalent of US\$50,000 into the project accounts; and (ii) receipt from GOU of the final satisfactory Implementation Manual for the project including Action Plans for all components for the first year of project implementation.
- b. The following are the *conditions of disbursement*: (i) for the entire legal sector component GOU furnishing a statement defining its Policy on Legal Education; (ii) for the offices of the Administrator-General and Registrar General - the provision of a satisfactory business plan covering at least the first three years of operation; (iii) for the Training Funds component - agreement between GOU and IDA that : (a) the CBS staff have demonstrated capability to implement the Training Funds component through (i) participation in the preparation and implementation 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 Fund component have been reviewed and, if warranted by the review, amended in the light of experience; (iv) for the Accountancy component - (a) appointment of the Secretary of the ICPAU; (b) the Council of the ICPAU would have furnished to IDA a satisfactory business plan covering at least the first three years of operation; (c) GOU and the ICPAU would have concluded the Subsidiary Grant Agreement.

Environmental Impact

35. The project is rated as Category C since its objectives and implementation will not have any direct impact on the environment.

Program Objective Categories

36. The program objective categories are economic management (primary emphasis) and private sector development (secondary emphasis). The reform of domestic relations law would also have an impact on women in development issues in Uganda.

Participatory Approach

37. 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 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. 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 also participated in the Bank's Yellow Cover Review Meeting in November 1994.

Project Benefits

38. 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 will begin the process of redressing the critical skill shortages in the accountancy and legal sectors. 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 intended emphasis on implementation skills and increased service delivery, particularly at the district/rural level, should have a long term beneficial impact on the poor.

Project Risks

39. 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). The underlying assumption therefore is that GOU's reform agenda (including constitutional reform which is outside the purview of this project) will remain unchanged in the medium-term. It is also assumed that 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). Further, while decentralization will relieve pressures on limited capacities in the Central Government in the medium-term, short-term pressures on the Central Government agencies implementing the reform will tend to be exacerbated. 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. As a key component of risk management a detailed but flexible supervision program, directly involving Government agencies, resident mission staff, and headquarter staff will be used during the project life.

Recommendation

40. I am satisfied that the proposed credit would comply with the Articles of Agreement of the Association and recommend that the Executive Directors approve the proposed credit.

Richard H. Frank

President *ad interim*

Attachments
Washington D.C.
May 9, 1995

Schedule A

Project Cost Summary (in US\$ million)

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

Note : Figures may not add due to rounding.

Financing Plan (in US\$ million)

	US\$mm
IDA	36.35
GOU	4.88
Private Sector	0.96
Total	42.19

Procurement (in US\$ million)

Project Element	Procurement Method			Total
	ICB	LCB	Other	
Civil Works	1.41 (1.22)	1.37 (1.18)		2.78 (2.40)
Goods	9.67 (9.20)	0.55 (0.55)	0.24 (0.24)	10.46 (9.99)
Printing		0.66 (0.33)	0.74 (0.37)	1.40 (0.70)
Consultancy Services and Training				
Technical Assistance :				
International			3.06 (3.06)	3.06 (3.06)
Local			6.45 (6.45)	6.45 (6.45)
Training:				
International			2.53 (2.53)	2.53 (2.53)
Local			12.02 (10.39)	12.02 (10.39)
Operating Costs			3.49 (0.83)	3.49 (0.83)
Total	11.08 (10.42)	2.58 (2.06)	28.53 (23.87)	42.19 (36.35)

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

IDA Credit Summary Allocations (in millions of SDR)

Category	Amount of Credit Allocated	% of Expenditure to be Financed
Central Govt. Capacity Building		
Works	0.69	90%
Goods	0.90	100% foreign; 90% local
Consultants' services and training	2.15	100% foreign; 95% local
Printing	0.12	50%
Project staff operating costs	0.08	20%
Other operating costs	0.05	20%
Local Govt. Capacity Building		
Works	1.12	90%
Goods	2.96	100% foreign; 90% local
Consultants' services and training	4.51	100% foreign; 95% local
Project staff operating costs	0.04	20%
Other operating costs	0.03	20%
Legal Sector Reform (excluding AG and RG)		
Goods	1.31	100% foreign; 90% local
Consultants' services and training	2.61	100% foreign; 95% local
Printing	0.26	50%
Project staff operating costs	0.05	20%
Other operating costs	0.10	20%
Administrator General		
Goods	0.25	100% foreign; 90% local
Consultants' services and training	0.13	100% foreign; 95% local
Registrar General		20% of foreign and local expenditures
Goods	0.12	
Consultants' services and training	0.28	
Accountancy Strengthening		
Goods	0.05	100% foreign; 90% local
Consultants' services and training	0.54	100% foreign; 95% local
Printing	0.02	50%
Other operating costs	0.02	20%
Training Fund I		
Public Sector Training	1.65	90%
Private Sector Training	0.34	50%
Training Fund II		
Training materials and books	0.16	50%
Equipment	0.04	25%
Consultants' services and training	0.24	90%

IDA Credit Summary Allocations (in millions of SDR)

Category	Amount of Credit Allocated	% of Expenditure to be Financed
Assistance to economic recovery program Consultants' services and training	1.80	100%
Training Funds		
Project staff operating costs	0.02	20%
Other operating costs	0.04	20%
Refund PPF Advance	0.34	Amount due
Refund SPPF Advance	0.13	Amount due
Unallocated	1.86	
Total	25.00	

Estimated Disbursement Schedule (US\$ million)

IDA FY	1995/96		1996/97		1997/98		1998/99		1999/2000		2000/01
	1st Sem	2nd Sem	1st Sem	2nd Sem	1st Sem	2nd Sem	1st Sem	2nd Sem	1st Sem	2nd Sem	1st Sem
Per period	2.00	2.73	2.73	3.63	5.45	5.45	5.45	3.63	3.63	1.00	0.65
Cumulative	2.00	4.73	7.46	11.09	16.54	21.99	27.44	31.07	34.70	35.70	36.35

Timetable of Key Project Processing Events

- a. Time taken to prepare: 10 months
- b. Prepared by: IDA in collaboration with Government of Uganda. The IDA members consisted of Mr. G. Tata (Task Manager), Mr. I. Knapp and Mr. P. Langseth (Sr. Public Sector Management Specialists), Mr. J. Ford (Senior 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 members consisted of Ms. M. Muduuli (Task Force Manager) and Mr. F. Tumuheirwe (Ministry of Finance and Economic Planning); Ms. D. Katuramu and Mr. G. Okutho (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.
- c. First IDA mission: September 1993
- d. Appraisal: June 1994
- e. Negotiations: December 1994
- f. Date of Effectiveness: July 1995 (Projected)
- g. List of Relevant PCRs: Second Technical Assistance Project (Report No. 12090)
Third Technical Assistance Project (PCR sent from AF2 to OED on May 20, 1994)

SCHEDULE D
Page 1 of 2

STATUS OF BANK GROUP OPERATIONS IN UGANDA
A. STATEMENT OF BANK LOANS AND IDA CREDITS
(as of March 31, 1995)

Loan or Credit No.	Fiscal Year	Borrower	Purpose	US\$ Million		
				Amount (Less Cancellations)		Undis-
				Bank	IDA	bursed
One (1) Loan and forty one (41) Credits fully disbursed, of which SECALs, SALs and Program Loans/Credits:				8.40	1034.16	(572.22)
Cr.18690	1988	Uganda	South West Ag. Rehab.		10.00	4.84
Cr.19340	1988	Uganda	Health Rec.		42.50	8.44
Cr.19620	1989	Uganda	Public Enterprises		15.00	4.14
Cr.19910	1989	Uganda	Telecom II		52.30	6.20
Cr.20880	1990	Uganda	Poverty & Soc. Costs		28.00	1.25
Cr.21240	1990	Uganda	Water Supply II		60.00	55.70
Cr.21760	1991	Uganda	Livestock		21.00	18.35
Cr.21900 a/	1991	Uganda	Ag. Sector Adj. Credit		100.00	8.02
Cr.22060	1991	Uganda	Urban I		28.70	20.08
Cr.22680	1991	Uganda	Power III		125.00	98.87
Cr.23150	1992	Uganda	Enterprise Development		41.85	43.92
Cr.23620	1992	Uganda	Northern Reconstruct.		71.20	61.37
Cr.24180	1993	Uganda	Econ. & Financial Management		29.00	14.45
Cr.24240	1993	Uganda	Agric. Extension Prog.		15.79	10.31
Cr.24460	1993	Uganda	Agric. Res. & Trg.		25.04	21.74
Cr.24930	1993	Uganda	Primary Educ.		52.60	51.61
Cr.24960 a/	1993	Uganda	Financial Sector Adjustment Cr.		100.00	57.61
Cr.25830 b/	1994	Uganda	Small Towns Water		42.30	47.30
Cr.25870	1994	Uganda	Transport Rehab.		75.00	83.62
Cr.26030	1994	Uganda	Sexual Trans. Infections		50.00	54.89
Cr.26080 a/	1994	Uganda	SAC II		80.00	54.63
Cr.26090	1994	Uganda	Cotton Sector Development		14.00	14.12
Cr.26081 a/	1994	Uganda	SAC II		0.60	0.62
Cr.26790	1995	Uganda	District Health		45.00	48.07
Total				8.40	2159.04	790.15
of which repaid				8.40	44.23	
Total held by Bank & IDA				0.00	2114.81	
Amount sold 8.32						
of which repaid 8.32						
TOTAL Undisbursed						790.15

a/ Indicates SAL/SECAL or Program Loan/Credit.

b/ Not yet effective.

B. STATEMENT OF IFC INVESTMENTS IN UGANDA

(as of March 31, 1995)

Fiscal Year	Obligor	Type of Business	Amount in US\$ Million		
			Loan	Equity	Total
1993	AEF-Clovergem	Canning Preserv & Process	0.85	0.00	0.85
1993	AEF-NGE-GE	Canning Preserv & Process	0.65	0.00	0.65
1993	AEF-NILE ROSES	Agricultural & Livestock Prod.	0.30	0.00	0.30
1995	AEF-POLYPACK	Spinning Weaving & Finishing	1.00	0.00	1.00
1995	AEF-RAINBOW	Other	0.79	0.00	0.79
1994	AEF-RWENZORI	Real Estate & Business Service	0.81	0.19	1.00
1994	AEF-SKYBLUE	Hotels & Restaurants	0.51	0.64	1.15
1995	CLOVERGEM CELTE	Communication	4.96	0.00	4.96
1984,1993	DFCU	Development Finance Companies	0.00	0.98	0.98
1993	JUBILEE	Insurance Companies	0.00	0.10	0.10
1965	MULCO	Spinning, Weaving & Finishing	4.32	0.71	5.03
1984	TAMTECO	Mfg of Food Products NEC	1.62	0.00	1.62
1972	TPS	Tourism Services	1.11	0.00	1.11
1994	Uganda Leasing	Leasing Companies	0.00	0.32	0.32
1984	Uganda Sugar	Cocoa Chocolates, Sugar	8.00	0.00	8.00
1985	Uganda Tea	Food Products NEC	<u>2.81</u>	<u>0.00</u>	<u>2.81</u>
Total gross commitments			<u>27.73</u>	<u>2.94</u>	<u>30.67</u>
Less: Repayments, cancellations, exchange adjustments, terminations and sales			9.63	0.71	10.34
Total Commitments now held by IFC:			18.10	2.23	20.33
Total Undisbursed			6.57	0.32	6.89
Total Outstanding IFC			11.53	1.91	13.44

IMAGING-CATALOGUERS

Report No: P- 6464 UG
Type: PR