**Working Paper 205**

# Targets and Results in Public Sector Management: Uganda Case Study

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March 2003

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ISBN 0 85003 649 6

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# Acknowledgements

The author would like to thank all those in the Government of Uganda and donor agencies who provided information and gave generously of their time. In particular he would like to thank the officials of the Ministry of Finance Planning and Economic Development, Ministry of Public Service, and Bushenyi and Iganga District Local Governments whose ideas, and assistance enriched the study greatly. Responsibility for the views expressed and for any errors of fact or judgement remain with the author.

The author would also like to thank DFID for making this study possible by their financial support.

# Acronyms

| | |
|---|---|
| BFP | Budget Framework Paper |
| CAO | Chief Administrative Officer |
| DDP | District Development Plan |
| ESIP | Education Strategic Investment Plan |
| FDS | Fiscal Decentralisation Strategy |
| GoU | Government of Uganda |
| HIPC | Highly Indebted Poor Countries |
| HSSP | Health Sector Strategic Plan |
| LC | Local Council |
| LDG | Local Development Grant (from LGDP) |
| LG | Local Government |
| LGDP | Local Government Development Programme |
| MAAIF | Ministry of Agriculture, Animal Industry and Fisheries (also *Ministry of Agriculture*) |
| MoES | Ministry of Education and Sports (also *Ministry of Education*) |
| MFPED | Ministry of Finance Planning and Economic Development (Also *Ministry of Finance*) |
| MoH | Ministry of Health |
| MoLG | Ministry of Local Government |
| MoPS | Ministry of Public Service |
| MoWHC | Ministry of Works Housing and Communications (also *Ministry of Works)* |
| MTBF | Medium Term Budget Framework |
| MTEF | Medium Term Expenditure Framework |
| NAADS | National Agriculture Advisory Services |
| NGO | Non Government Organisation |
| ODI | Overseas Development Institute |
| OECD | Organisation of Economic Co-operation and Development |
| O&M | Operation & Maintenance |
| OOB | Outcome/Output |
| OPM | Office of the Prime Minister |
| PAC | Public Account Committee |
| PAF | Poverty Action Fund |
| PEAP | Poverty Eradication Action Plan |
| PMA | Plan for Modernisation of Agriculture |
| PRSC | Poverty Reduction Support Credit |
| PRSP | Poverty Reduction Strategy Paper |
| ROM | Results-Oriented Management |
| RSDP | Roads Sector Development Plan |
| SFG | Schools Facility Grant |
| SWAP | Sector-Wide Approach |
| SWG | Sector Working Group |
| TA | Technical Assistance |
| ToRs | Terms of Reference |
| UNHS | Uganda National Household Survey |
| UPE | Universal Primary Education |
| UPPAP | Uganda Participatory Poverty Assessment Project |

# Executive Summary

## Background

Uganda is considered by many as a country at the forefront of reforming public expenditure systems towards the goal of poverty reduction. Through the Poverty Eradication Action Plan (PEAP), Uganda has developed a comprehensive framework for reducing poverty in the country, with clearly articulated priorities for achieving this goal. Through Sector Wide Approaches (SWAPs), sectors have developed long term strategic plans with common programming modalities and costed targets.

Over the five years to 2002 there have been major shifts in the size of budgeted expenditures and shift in their composition towards priority PEAP programmes. Initiatives such as the Medium Term Expenditure Framework (MTEF) and the Poverty Action Fund (PAF) have helped in this reorientation. Uganda runs a very open and consultative budget process, where the Government's near and medium term strategy for implementing the PEAP is discussed. Budget discipline in Uganda has been relatively good compared to its peers; however, disbursements against budget can vary significantly between sectors and agencies within those sectors.

Uganda has a highly decentralised system of government with local governments responsible for the implementation of many government services; however, this has not been followed up with full fiscal decentralisation. The vast majority grants from central government are channelled to local governments as 'conditional grants', earmarked by central government to specific areas of primary service delivery in sectors, mostly under the PAF.

Throughout the last decade the government has sought to address the need to improve the performance of the public sector through ambitious public service reform programmes. In the early 1990's substantial progress in downsizing the public service and increasing pay was made. Also crucial have been efforts to improve the efficiency and effectiveness of public sector institutions through initiatives such as Results-oriented Management (ROM) and Staff Performance Appraisal systems.

## Targets and indicators in planning and budgeting

The use of targets and performance indicators in the formulation and implementation of public sector programmes should assist in improving the efficiency and effectiveness of public expenditure. Predicting beforehand, and measuring afterward, the relative economy, efficiency, effectiveness and impact of public sector programmes and policies should facilitate better decision making within government.

### *Long term plans and strategy*

Since 1997, the Poverty Eradication Action Plan and sector planning processes have been constantly evolving, and the use of results in these processes, although often haphazard, is becoming more and more embedded. Objectives in sector plans are becoming more consistent with the goals of the PEAP. The PEAP and most sector plans attempt to identify sets of outcome and output indicators for these objectives; however, these indicators are not always comprehensive, and the categories of indicators, and relationships between them are often confused.

If a strategy or plan is to be effective, the interventions and the associated outputs chosen need to be backed up by evidence that they will influence outcomes. Sector plans developed after the 1997 PEAP have been better oriented towards poverty reduction outcomes, and there is a clearer rationale behind the chosen strategies, with performance information increasingly being used to justify those choices. However, in no sector plan are there significant signs of any rigorous ex-ante impact analysis of effectiveness. Although the revised PEAP (2000) does describe how each public sector strategy and intervention should impact on poverty and uses evidence to justify this, it is difficult to pinpoint where evidence on performance has influenced the choice of policies and strategies.

The strategies chosen in sector plans should have clearly defined output indicators and targets, as outputs help define the specific actions and inputs required to achieve outcomes. It is in this respect most progress has been made within sector planning in Uganda. Sector plans take different approaches to the identification of outputs indicators and targets, which reflects the differences in the nature of sectors, and also different interpretation of the classes of results. The interrelationship between sectors' outputs, and the achievement of sector outcomes is often not given much attention.

There tends to be a haphazard use of outcome, output and input indicators whilst planning, budgeting and during implementation, and it therefore becomes difficult to ascertain the relationships between them. It is therefore difficult to assign responsibility for achievement of results to specific agencies, and their constituent departments.

Sector plans usually are comprehensive and fully costed and this enabled the Government to cost the achievement of the desired poverty reduction outcomes in the Revised PEAP. However, the stark conclusion from the costing of the PEAP is that, in aggregate, sector programme targets would not be realistically achievable. There is urgent need for a resource constrained planning framework which results in prioritised and affordable sector policies and realistic long-term targets to be established.

### *Budgeting*

The Ministry of Finance introduced the concept Outcome/Output Oriented Budgeting (OOB) into the MTEF process in 1998 on a sector basis, and this has added significant focus to the budget process. Sectors are required to analyse past performance of outputs and outcomes, relative to targets, and to set future output and outcome targets to be achieved over the MTEF period. Although OOB is integral to the budget process, in sectors with well established SWAPs, such as Health, Education and Roads, sector review processes are increasingly becoming the major mechanisms for reviewing performance in outputs and agreeing future actions.

Sector analysis of budget efficiency is often used as a means for improving input/activity decisions within sector programmes, but rarely influence allocations between programmes within a sector. In the Education, Health and Roads sector allocations to local governments are on the basis of achieving national service delivery targets. Individual central institutions are largely not pressed to relate their actual performance to budget allocations. The Ministry of Finance has tended to continue with incremental budgeting in these areas of the MTEF and not allocate funds on the basis of performance. Despite rationalisation in key sectors such as Health and Education, the GoU (Government of Uganda) budget remains fragmented with a very large number donor projects administered by both central and local government agencies. This further confuses sectors when the attempt to ascertain institutional responsibility, true aggregate allocations, and the sources of inputs for the achievement of a given target.

The PEAP and sector plans, and the use of results therein, have substantially influenced the allocation of additional resources available to GoU. However, neither sector outcomes and output targets, embodied in sector plans, nor sector performance have been used systematically as a means of justifying allocations between sectors, despite the observed shift in the composition of expenditures. Throughout the last five years, no sector has seen a reduction in its MTEF allocation. There is now a danger that the budget process will be reduced to one where sectors focus on trying to solicit additional resources from the MFPED for the following year.

## Institutions

A major feature of the Ugandan budget process and Output Oriented Budgeting in particular has been the focus on the sector. The applications of results differs within different types of institutions within sectors because of their differing mandates. The Results-oriented Management initiative led by the Ministry of Public Service has taken an institutional perspective, and encouraged individual ministries, agencies and local governments to develop their own objectives, indicators and targets.

### *Central Ministries*

Ministry budget submissions, especially for the recurrent budget, are not results focused, whilst under the ROM process ministries develop 'Annual Performance Plans' in which their own specific results are identified. However, there is no explicit link between the two. The output Indicators for ministries relate to processes and not service delivery. The exercise of determining indicators and targets under ROM is intended to be participatory, and involve discussions and agreement between sector department managers and staff. Where this has taken place, there appears more ownership of the indicators.

Leaders and managers in ministries are often autocratic, which is often due to fear that any discretion delegated to managers or staff is likely to be abused. The situation is exacerbated by cuts in disbursements against operational budgets that are often experienced by ministries during the financial year. The existence of multiple donor projects is becoming less of an issue in terms of results-based management in the ministries of Health and Education as more and more donor contributions are now channelled through the national budget. Ministry managers also have little control over the number and remuneration of staff as pay and structure is approved centrally by the Ministry of Public Service. There are few effective formal mechanisms available to managers to reward staff who excel in their duties in all the four sectors surveyed. This means that informal mechanism are used such as allocating allowances for travel inland or abroad, and/or training to good performing staff. Although pay remains a major issue for ministry staff, there is acknowledgement that pay reform has improved morale and performance.

### *Local Governments*

Tension is emerging between Uganda's highly decentralised local government system and the centrally driven SWAP processes where sector service delivery targets have been established at the national level. This has been combined with excessive and increasing central control over inputs through a large number of tightly earmarked conditional grants. Despite the attempts by sectors to increase central control there remains wide variations in performance of local governments, even with similar resource endowments. The focus on central control has actually distracted attention from the need for (and observed value of) local controls and systems for accountability in the delivery of services.

The planning and budgeting processes are explicitly results-oriented. Local governments set objectives, and identify outputs and activities to be carried out over the next three years (taking into account national targets where they exist). The quality of the analysis behind the use of performance indicators has improved, although the use of indicators is often confused. Many local governments have identified a fairly comprehensive set of activity/output level targets, linked to resource allocations. The multiplicity of funding sources, however, undermines planning and target setting.

Sector grants, which often make up over 75% of local budgets are allocated on the basis of need between local governments. Currently, local governments have no flexibility in allocation from one sector grant to another. When given discretionary funds for investments, however, districts and lower local governments have tended to make sensible investment decisions with the majority of funds being invested in roads, agriculture, health and education. Low local revenue significantly undermines the ability of district administrations to support service delivery and apply participatory results-based approaches to planning and management.

Despite the participatory legal framework, planning and budgeting decisions are largely concentrated at the district level. This translates into a lack of knowledge, and/or ownership of planned activities and set targets at in lower level local governments. The amount of participation within sectors does vary though, and is often inconsistent with the political structure of local government, which undermines horizontal accountability for performance.

The roles and responsibilities of the different parts of local government administration and service provision were clear; however, these are not always translated into specific output targets. The management of service delivery varies significantly between sectors and also between local governments. In health, performance information influences local budgeting decisions, and is regularly used during budget implementation. At the school level indicators such as exam results provided a great incentive to perform. Service providers valued and appreciated their interactions with the district level staff, and the technical support they received.

Of primary importance is the relationship between front-line service providers with the end user of the service. The perceptions of local communities and local circumstances can dictate a different mix of service delivery from what was planned; however, it appears from participatory research that households often feel remote from local government service delivery and are not involved in decision making.

In practice, the management of personnel often suffers from the same rigidities in local government as central government. Although pay scales for local government staff are the same as that for central government, pay appeared to be less of an issue than the centre because the cost of living in rural areas is a lot cheaper than Kampala. As with central government, there are few formal mechanisms for rewarding good staff performance.

## Monitoring and measuring performance

In Uganda there is a plethora of mechanisms pertaining to the measurement, monitoring, reviewing and verification of performance, but only since the late 1990's has GoU tried to streamline and set up its own co-ordinating mechanisms for performance monitoring.

Systems of budget reporting have been established which help both for the accounting for public expenditures, and the provision of information on performance for use by implementers, managers and politicians. There is limited formal internal reporting on performance within central or local government agencies against established plans; however, local governments are required to prepare quarterly PAF reports for central government, which give information on activities and expenditures against the annual workplan. Sectors used to report quarterly on the implementation of PAF programmes within their sector, and these reports were discussed at open PAF review meetings; however this has been replaced by the budget performance report which is not performance based.

Over the past few years, central and local governments have been a lot more proactive in their monitoring of performance, and regular supervision and inspection of service delivery is common within local governments. There is little monitoring of individual central ministries. A national assessment of local government administrations also takes place, and those local governments which perform well are rewarded with increased development grant allocations. This incentive framework has proved a strong fillip for local governments to improve their administrative function.

The mechanisms of reporting and review behind the Poverty Reduction Support Credit (PRSC) are becoming important in delivering more coherent and strategic public sector reforms. Sectors, under their SWAPs, have developed their own performance reporting and review mechanism (quarterly, biannual, or annual), and decisions are increasingly being made taking into account performance information. However, the tracking of sector outcomes, and the linkage between inputs/outputs and sector outcomes, which reflects the effectiveness of programmes, is often not at the forefront of sector reviews. Sometimes, sectors do not know how to interpret performance information, and then make appropriate decisions.

Independent mechanisms for verifying performance are currently weak but they are improving. Due to weak capacity within government, the focus of internal and external audit is likely to remain financial for the foreseeable future. Whilst audit is weak, independent sector tracking studies are being used as tools to verify, on a sample basis, financial flows to the point of expenditure; however, they do not verify performance. Alongside their greater involvement in the budget formulation stage, Parliament is becoming more interested and engaged in the review of sector budget performance. Civil society has increasingly been playing a role in the monitoring of government programmes.

## Factors In success or failure of performance management

The basic results-based tools and procedures are now established in Uganda. The use of these tools varies within different institutions and sectors; however, in general performance based practices have added significant value to decision making. However, performance information is not always used to improve decision making. Leaders and managers do not use information if it does not appear useful, if they are unable to interpret it, or if it is not in their interest to use it. The proliferation of M&E systems, combined with a fragmentation of funding sources, and budget also undermined the ability of managers to use performance information.

Overall, the application of results-based frameworks within local governments appears more widespread as indicators and targets are more easily applied to homogenous services. There is also a clear incentive for local governments to collect, or at least appear to collect, performance information – if they do not report on performance to central government, then they will not receive grants. This does not necessarily translate into better local government performance across the board. The opportunity to improve performance is increased by the fact that local governments are relatively young institutions and have less entrenched practices than central agencies. Performance management processes within ministries are less explicit and focus more on process and quality. It is correspondingly more difficult to assess efficiency of ministries and make decisions to improve performance.

The quality and direction of leadership (both political and administrative) and management was probably the most important factor in any agency's performance. However, the agencies with strong leaders are not necessarily those that make full use of results-based frameworks. It is difficult to say whether or by how much the amount of flexibility lent to managers is currently a major factor in their ability to perform. It was a lack of basic management skills that more evidently undermined the ability of institutions to perform generally. This lack of basic management skills also diminished the value of results-based practices when they are used.

It is evident that institutions, and the individuals within them, need strong incentives to perform. The linking of grant allocations to performance has provided a strong incentive to enhance institutional capacity to deliver results. Financial incentives were important in staff management; however, these mechanisms were often informal and not transparent. Non-financial mechanism for motivating staff were considered important but hardly ever used.

The basis of the disbursement of donor funds is increasingly on the achievement of pre-agreed output performance targets and process benchmarks within an agreed time frame, using the SWAP and PRSC processes as the main entry points. The implications of the government not meeting agreed performance benchmarks are unclear however, and this means that the fundamental nature of the incentive structure between Uganda and its donors has not changed significantly. Under current arrangements, if performance targets are missed a reduction in aid disbursements does not make sense for donors, as this will further undermine the government's ability to achieve those targets. Agreed targets for budget efficiency, combined with process benchmarks could instead be used as part of a credible incentive framework and donor-government relationship.

## Lessons from Uganda's experience

The use of targets and results in the planning and sector budgeting process is an evolving one in Uganda. It has come on a long way, and has added significant value to public sector management, systems and processes. Given the performance information now available, and the light this sheds on how government is functioning, agents in the public sector are discovering how best to use it to improve decisions. It is therefore important that countries view the increased use of results within their public sector planning and budgeting as an evolving and improving process.

In both the central agencies and local governments there is substantial variation in performance, without necessarily a substantial variation in resource endowments and technical skills. It was evident that the use and application of results-based frameworks also varied within government.

Although the objectives of Uganda's PEAP are very clear, the classification and hierarchy of results in the PEAP, sector plans and budgets are not. There is now a need to emphasise the causal linkages between activities and outputs; and outputs and outcomes. This would ensure a more comprehensive use of results, especially in relation to service delivery. In future PEAP targets need to be established which are realistic and that means that they take into account the long term availability of resources. A more systematic prioritisation of inter-sector allocations in terms of their results is needed. Sectors themselves need a more rigorous intra-sector prioritisation process during the planning phase than they do at present.

The output orientation of the budget process is relatively superficial, especially at central government level, nor is it fully embedded into systems for programme implementation and service delivery. A key lesson from Uganda is the need to align results-based management reforms with budget reforms at the outset, although they do not need to be explicitly linked to add value. However, for further progress to be made in Uganda the ROM initiative now needs to be explicitly linked to OOB, and the budget preparation and implementation processes through the preparation of agency performance plans alongside their budget estimates. Clearer methods of internal reporting on results also need to be developed, formalising the link between the annual workplan and budget implementation. Comprehensive mechanisms for budget reporting between government agencies, incorporating information on activities and outputs funded by all funding sources, should be promoted. The coordition of M&E practices is beginning to improve. This results from a new desire to coordinate within government, through a committee spearheaded by the Office of the Prime Minister. The PEAP process provides a focus for this coordination effort.

It is impossible to shy away from the fact that probably the two biggest variables in an institution's performance are the quality of political and administrative leadership and management. Institutions must also have strong incentives to perform and not just to use results-based practices.

Other critical observations which can be drawn from the Ugandan experience are the importance of local government performance in the context of service delivery and the successful application of performance management practices therein. Tensions between the centrally driven process of setting national poverty reduction outcome and output targets in the PEAP and SWAPs, and the promotion of local choice through decentralisation have emerged, and an increasing number of re-centralising policies are being imposed by line ministries, in the face of local implementation problems. The resulting imbalance is now being addressed through the implementation of the fiscal decentralisation strategy.

In conclusion, the Ugandan experience shows that results-based frameworks can add value to public sector management in developing countries. The use of targets and results should not be seen as an exact science, and it should never be introduced as one. It is an approach that has enabled Uganda to improve the focus of its public programmes. The information provided by performance management systems is not always acted on and sometimes does not always present solutions to the problems they identify. The major challenge in the future is to ensure that this gap in the performance management cycle is closed, and that technical capacity and political commitment are built up to ensure better decisions can be made.

# Chapter 1: Background to the Study

## 1.1 Introduction

This a study to examine the use of performance management practices in public sector expenditure programme and management in Uganda. Similar studies have been carried out in six other developing countries: Bolivia, Ghana, Malawi, Tanzania, Mozambique, and Cambodia. These have been complemented by a study of best practice in OECD countries.

## 1.2 Purpose and rationale

The purpose of the research is to deepen the understanding of current use of performance oriented management practices in developing countries. This research will contribute towards the literature on public expenditure management processes and complimenting the current practices of assessing standards of financial accountability. This will help development practitioners within each country and elsewhere.

The underlying rationale behind the research is that, if properly designed and used, results-based approaches can serve to increase effectiveness and efficiency in public sector programmes through the reallocation of resources to priority programmes, increase the motivation of staff and managers, as well as stimulating innovation in modes of service delivery.

Countries that have adopted Poverty Reduction Strategy Papers (PRSPs) and developed medium term plans for public expenditure, like Uganda, have started setting explicit targets for increasing the outreach and standards of poverty reducing public services. However, it was found in the 'How When and Why does Poverty Get Budget Priority?' studies carried out previously by the Centre for Aid and Public Expenditure, that these outcome and output targets are often not systematically translated into corresponding input and activity level targets. The costs of achieving targets are often not firmly established, resulting in mismatches between resources mobilised and results sought. Also, results-based allocations may not be complemented by adequate incentive systems for the delivery of services.

## 1.3 Scope of study

This study looks in depth at all aspects of the performance management cycle, examining current practices in Uganda at the national and local government levels. It examines the results-orientation of planning and budgeting and the actual delivery of services in four key sectors – health, education, roads, and agriculture. In these sectors we looked at the relative performance of central agencies.

Interviews with line ministry officials in the four sectors looked at in this study were carried out, as well as the Ministry of Finance and Public Service, to investigate the modalities for planning for the use of ministry resources, and the use of results in their day to day management.

Performance management, and its impact on service delivery, was also examined in two similarly sized district local governments were also studied: Firstly *Bushenyi*, a relatively affluent rural district in the West of Uganda, with a high local revenue base and stable political and administrative situation. Secondly *Iganga*, a less affluent district in the East, which has experienced problems with the relationship between administrators and politicians; allegations of corruption, along with a collapse in local revenues.

The remaining chapters in this paper are structured as follows:

Chapter Two gives an overview of the public expenditure management and public service reforms carried out in Uganda. Uganda has an undertaken an ambitious reform agenda with a huge number of policy initiatives and processes going on within and across sectors, many of which have elements of performance management.

Chapter Three examines the use of performance indicators in public expenditure management. This will include how input, activity level, output and outcome targets are used in defining expenditure strategy and sectoral policy in allocating resources. Also how indicators and performance based practicises have been applied in the day to day operations of central and local government institutions, including management of service delivery will be examined.

Chapter Four examines the provisions for measurement, monitoring and independent verification of performance and results. The mechanisms for monitoring and reviewing performance are becoming key elements of the performance chain; however, the systems are often confusing and complex. Uganda has developed elaborate budget reporting systems, which generate substantial information on performance and there is a growing body of information on outcomes.

Chapter Five looks at the major factors in the success or failure of performance based practices in Uganda, which includes examining why and when managers demand performance information and why those results are actually used in the central and local level decision making processes. The nature and role of institutional factors are often key to this decision, as are leadership and management capacities. Incentives are also important as is the relationship between the government and donors.

Chapter Six concludes by drawing the major implications of Uganda’s experiences, both for future application of results-based practices within the country itself and for other countries. Uganda has been using performance management practices for longer than most of the other case study countries and is more advanced in many areas, and it is important that other countries should learn from the successes and failures of Uganda.

# Chapter 2: Scene Setting – Public Sector Reform in Uganda

## 2.1 Overview

Uganda is now widely regarded as a country at the forefront of reforming budget systems to address the challenge of poverty reduction. Uganda's PEM reforms have achieved a substantial amount in terms instilling aggregate public expenditure discipline, improving budget efficiency and shifting allocations towards the social sectors.

In the early 1990's, Uganda's priority was to establish macroeconomic stability, following a lapse in fiscal discipline which resulted in high inflation. A combination of strong leadership from a merged Ministry of Finance & Planning and the introduction of instruments including the Medium Term Budget Framework (MTBF) as a means to control aggregate public expenditure resulted in a reassertion of macroeconomic discipline. In 1995 the Medium Term Expenditure Framework (MTEF) started to be used as a tool for addressing the inter- and intra-sector composition of budgeted expenditures and expenditure out-turns. Throughout its development, the MTEF has been strongly linked to the budget process. Agencies were also encouraged to start planning and budgeting on a sector by sector basis and from the mid 1990's Sector Wide Approaches (SWAPs) were promoted as a means of improving strategic planning and implementation in the roads, education and health sectors. This process was strengthened through the introduction of Output Oriented Budgeting (OOB). Another key policy reform to highlight has been the introduction of decentralisation through which the mandate for the delivery of basic government services was devolved to local governments.

Although there were efforts made to ameliorate the specific social costs of adjustment through targeted programmes in the early 1990's, concerns in government emerged over the need for a more comprehensive approach to poverty reduction. A key event was a forum on poverty in 1995, which the President of Uganda attended. A task force was established and wide consultative process initiated, which culminated in 1997 with the preparation of the Poverty Eradication Action Plan (PEAP).

In 1998 Uganda first benefited from the HIPC initiative, and the Poverty Action Fund (PAF) was formed as a means of allocating the additional funds from debt relief and donor budget support towards the new priority programmes in the PEAP, as well as protecting the disbursement of funds to those programmes. The PEAP was revised in 2000. This served as Uganda's Poverty Reduction Strategy Paper which helped it qualify for a second tranche of debt relief under the enhanced HIPC initiative.

Throughout the analysis of performance management it is important to emphasise the high level political commitment to the goal of poverty reduction from the President down. This commitment when combined with adequate technical capacity has been crucial to many of the successes in design and implementation of poverty oriented policies and programmes in Uganda.

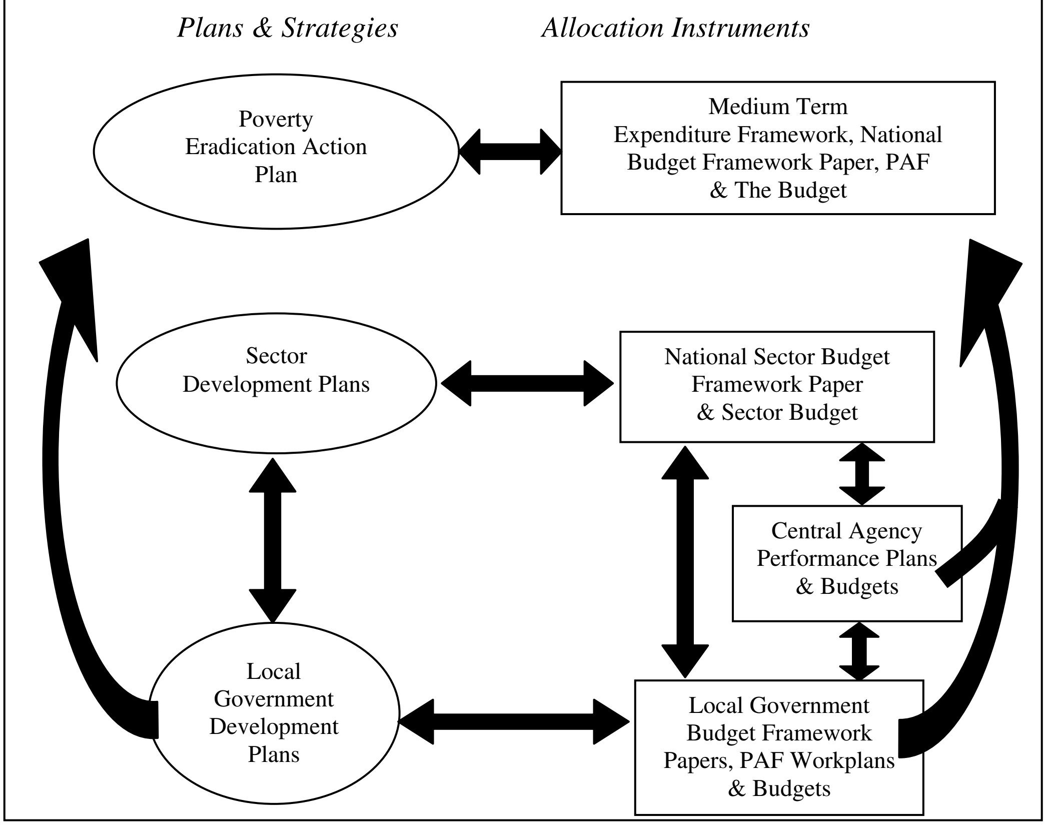
## 2.2 National strategy, planning & budgeting

### *Long term strategy*

The Poverty Eradication Action Plan sets out a comprehensive framework for reducing poverty in the country and clearly articulates its priorities for poverty reduction. The PEAP is supposed to encompass all public sector interventions[1]; however the 1997 PEAP identified new priority interventions included Universal Primary Education, Primary Healthcare, Water, Sanitation, Agriculture Extension, and Rural Roads. The PEAP is now widely regarded within government as the overall framework for guiding the formulation of government policies and strategies. There is significant ownership of the strategies set out in the PEAP resulting from the broad participation in the PEAP process and high level political support, which is not always evident in other countries.

Through various SWAPs, sectors have been encouraged to develop common programming modalities and develop long term strategic plans with costed performance targets. Prior the development of the original PEAP, the Roads Sector had developed a ten year Roads Sector Development Plan in 1996, whilst concurrently to the PEAP process the Education sector developed its Education Sector Investment Plan. The ESIP and RSDP, although not explicitly oriented towards poverty eradication, fed into the original PEAP preparation process. The 1997 PEAP grounded the development of subsequent long term sector plans in the overall goal of poverty reduction. Long term strategic sector plans have since been developed in the Health sectors, Water and Sanitation, Justice Law and Order, and Social Development sectors.

**Chart 1 National Framework for Planning & Budgeting**




The revised PEAP (2000) benefited from experience from the three years of implementing the original PEAP, and also poverty monitoring activities. There has been little inconsistency between sector planning and the PEAP because of the broad involvement of sectors in the PEAP processes, and the strong involvement of MFPED in those sector processes. There is top level political commitment which has been backed up by a broad consultative processes, which has resulted in a broad political and institution ownership of and commitment to PEAP goals and strategies. This has facilitated the relatively coordinated implementation of the PEAP within government and between different stakeholders.

1 This includes sectors such as security, which the government of Uganda argues is an essential prerequisite for poverty reduction.

*Budget formulation*

The national budget process, which is led by the Ministry of Finance, Planning & Economic Development (MFPED), runs from October to the reading of the budget in June. The process is consultative and there are several stakeholder conferences, with involvement from Local Governments, civil society and donors, as well as central ministries and agencies. In 2001 a new Budget Act was introduced which involves Parliament more in the Budget formulation stage.

**Box 1: Budget Formulation Process**

*October: Draft Budget Ceilings*
- MFPED prepares draft aggregate fiscal envelope in MTBF and inter sector allocations in the MTEF.
- Both are presented and discussed at national consultative workshop.

*Nov – Dec: SWG Reports*
- Using the indicative budget ceilings, sector working groups arrive at intra sector allocations
- Allocations justified in terms of past performance and future targets in SWG reports for the BFP.

*Jan: Preliminary Estimates*
- SWG reports are discussed with MFPED during ministerial consultations.
- On the basis of the intra – sector allocations agreed ministries and agencies prepare draft budget estimates on the basis

*Mar: BFP to Cabinet & Parliament*
- MFPED compiles SWG reports into a BFP which is presented to Cabinet.
- Cabinet considers and approves the BFP and submits it to Parliament

*April – May: Parliament & PER*
- The Budget Committee of Parliament discusses the BFP and presents recommendations to the President & MFPED
- A National Public Expenditure Review meeting is held at which the BFP is discussed

*June: Finalisation of Budget*
- On the basis of Parliamentary/PER recommendations the proposed budget and MTEF is amended by MFPED.
- The Budget is read

The Medium Term Budget Framework (MTBF), the Medium Term Expenditure Framework (MTEF) and the Poverty Action Fund (PAF) are the allocation mechanisms, whilst the budget is the actual instrument for (the public sector aspects of) implementation of the PEAP. MFPED estimates the available resources (donor and local) over the medium term (3 years) using the Medium Term Budget Framework (MTBF) and gives budget ceilings to sectors in October at a national budget conference in the form of a draft MTEF[2]. The budget is structured by administrative unit and line item; however, the MTEF groups administrative units by sector in the MTEF, which results in a quasi-programmatic MTEF.

A table of allocations to PAF programmes is presented, and this also adapts the budget classification system by identifying specific expenditure areas which are directly poverty reducing (as identified in the PEAP) within the MTEF/PAF. These areas are given protection in terms allocation – the total PAF budget must not decline as a proportion of the MTEF. The PAF is not a separate fund, but is a subset of the overall MTEF/GoU Budget. Programmes themselves qualify for

[2] The classification of the budget is being changed to a full programme based system in the 2003 – 2004 financial year.

PAF, by meeting a set of criteria, which includes consistency with the PEAP, specific poverty criteria, and the existence of a long term, fully costed plan for the programme.

A Budget Framework Paper is prepared during the budget process, which sets out Government's near and medium term strategy for implementing the PEAP. Sector working groups (SWGs) are charged with allocating the sector resource ceilings between agencies in a sector through the preparation of sector BFP submissions (in the form of SWG reports). SWGs are made up of central and local government, donor and civil society representatives. MFPED provides specific guidelines for SWGs, which are required to review past performance and propose medium term intra-sector budget allocations.

**Box 2: The Structure of the Budget**

*MTBF* – The MTBF, which is the mechanism for ensuring aggregate fiscal discipline, sets out in aggregate, the projected available revenues and financing against aggregate expenditure over a three year period.

*MTEF* – PEAP priorities are translated into inter and intra sector allocations in the MTEF. The MTEF groups administrative/functional units (votes) into sectors. Where an institutions' functions fall in more than one sector the budget is divided between those sectors. The totals for each grants to LGs are placed in the relevant
sector.

*PAF Budget* – The Poverty Action Fund budget draws specific PEAP priority programmes from within the MTEF, and presents them in a separate table. Government is committed to ensure that the allocation to PAF programmes does not fall as a proportion of the MTEF over time.

*Budget* – The MTEF and budget process are effectively one and the same. The first year of the MTEF defines the annual budget al.locations for each sector, and the ministries and agencies within it. The budget itself is structured by administrative/ functional unit (Ministry, agency, LG), then by programme (equivalent to a department in a ministry) and then by economic classification[1].

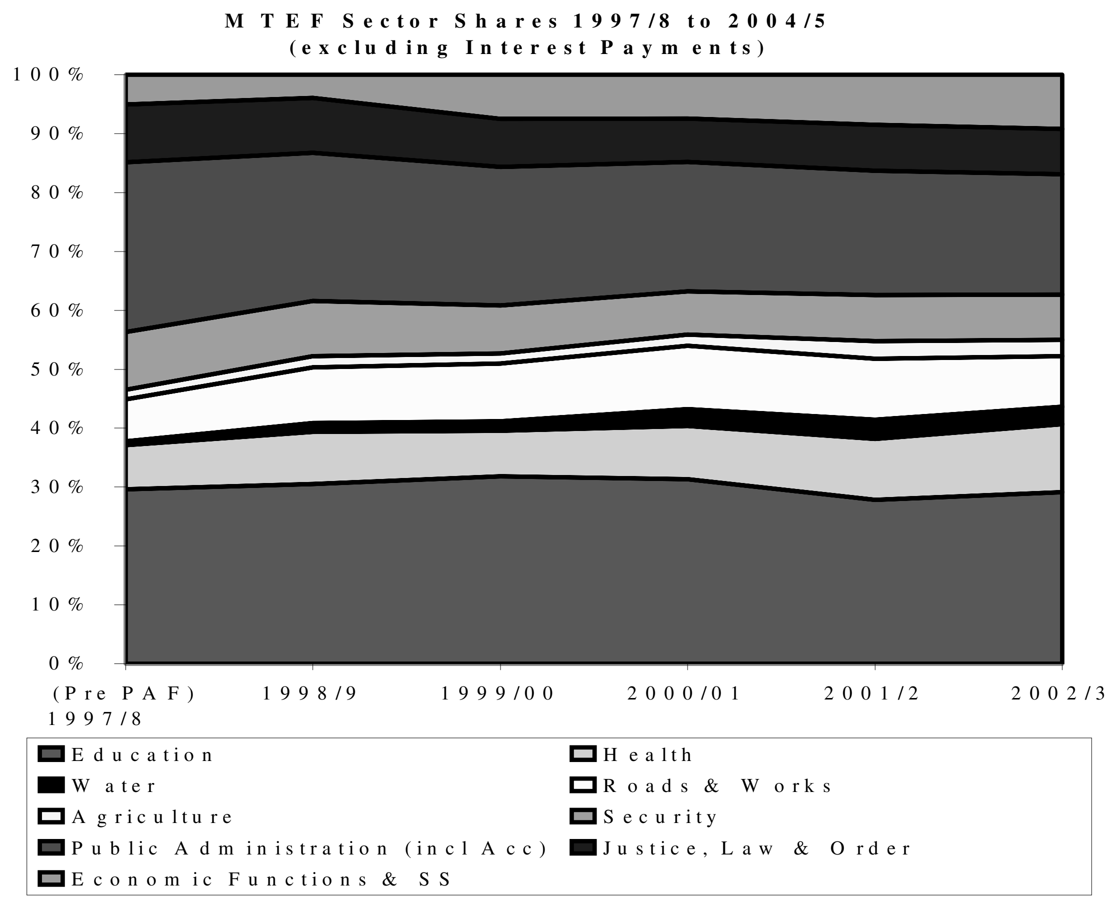
*NB: A new programme based chart (classification) of accounts has been developed, integrating the recurrent and development budgets, which will be piloted in the budget formulation process from 2003/4.*

Although the process focuses throughout on medium term planning and budgeting, sectors and agencies tend to focus their efforts on increasing the following year's budget allocations, as there is a perception that sector/ministry ceilings are flexible, if sufficient time is spent lobbying MFPED and Cabinet. The SWG BFP reports and central government agency budget submissions are discussed at ministerial level, with consultations held with MFPED. Individual central government agencies within each sector are required to prepare budget estimates on the basis of intra-sector allocations agreed at the ministerial consultations.

The new Budget Act requires MFPED to submit preliminary estimates of revenue and expenditure and a three-year economic plan before Parliament in April. In March, after the ministerial consultations have take place, the MFPED submits a consolidated Budget Framework Paper, to Cabinet, which considers it. After that MFPED prepares a 'Three Year Macroeconomic Plan' on the basis of the Cabinet recommendations which it forwards to Parliament.[3] Parliament then submits

[3] MFPED prepared a document separated from the BFP as the 3 year macro plan – in future they plan for the documents to be one and the same.

comments, which are then considered by MFPED and Cabinet. This is meant to engage Parliament in the decision making process, and ameliorate the risk of substantial changes to the budget after it is read and speed up the parliamentary approval process.[4] In May a Public Expenditure Review meeting is held at which the BFP is discussed more widely by government, donors and civil society organisations.




## *The composition of the budget*[5]

Over the five years to 2002 there have been major shifts in the size of budgeted expenditures and shift in their composition towards priority PEAP programmes. As a share of GDP public expenditure grew from about 17 to 25 percent between 1997/8 and 2001/2, and allocations to PAF programmes grew from 17.5 to 35% of the rapidly expanding GoU Budget. This can largely be attributed to the formation of PAF and SWAPs, and the significant increases in donor inflows that they generated (tax revenue has remained stable as a percentage of GDP). There has also been a substantial reorientation of allocations within sectors towards pro-poor expenditures. Whilst overall allocations to the health, education, water, roads and agriculture sectors have only increased from 39% of the Budget in 1997/8 to 47% in 1998/9; the proportion of those sector budgets going to PAF/pro-poor service delivery increased from 43% of those sector budgets to 66% (e.g. primary healthcare, primary education, rural roads).

[4] 2002 was the first time Parliament was involved, and it was very much a learning process on both sides. Parliament proposed increases in sector allocations, without identifying the sources of revenue (from cuts). This meant that MFPED was unable to take on board their recommendations in the proposed expenditure allocations presented in the budget speech.
[5] Source: Williamson & Ndungu (2002)

These changes have been made possible by a huge increase in donor financing, which is well about half of public expenditure and has resulted in a doubling of the fiscal deficit (excluding grants) from 6.2% 1997/8 to a projected 12.1% in 2001/2. There has also been a shift from project towards budget support. Much of the original increase in sector allocations were a direct result of the provision of donor budget support which was earmarked to sectors and channelled through the governments own budget[6]. In aggregate budget support (earmarked and general) increased from 3.4% of GDP in 1997/8 to 10.1% in 2001/2 or from 20% to 40% of public expenditure over the same period. In the same period, project support remained between 6&7% of GDP terms but fell from 33% to 25% as a percentage of Public Expenditure.

This demonstrates the increase in confidence donors have had in GoU's own PEM systems. Initiatives such as SWAPs and the PAF contributed towards this, however there is now concern that PAF/SWAPs may have overly skewed budget/MTEF allocation towards direct provision service relative to other sectors, and that the budget deficit is too high and unsustainable. This has led to the Ministry of Finance limiting the growth of expenditures in the Budget/MTEF, despite the possibility of increased donor financing.

**Table 1: Government of Uganda MTEF Outturns**

| (Total Exp/Budget)% | **(Pre PAF)**<br>**1997/8** | **1998/9** | **1999/00** | **2000/01** |
|---|---|---|---|---|
| **Total MTEF** (excl. cont.) | **99.5%** | **103.3%** | **97.4%** | **99.2%** |
| PAF | 111.2% | 99.7% | 95.5% | *91.9%* |
| Public Admin* | 103.5% | 102.4% | 101.4% | 112.5% |
| Security | 102.8% | 116.6% | 98.5% | 99.4% |
| Interest | 81.9% | 89.0% | 105.7% | 119.1% |
| Other MTEF** | 94.5% | 103.4% | 99.2% | 93.4% |

* Exludes under-disbursements due poor recruitment
** Includes non-PAF PEAP priorities

## *Budget execution*

Budget discipline in Uganda has been relatively good compared to its peers; however disbursements against budget, can vary significantly between sectors and agencies within those sectors. Aggregate MTBF resource projections have been accurate – averaging over 97% of budgeted resources since 1997/8, and these were disbursed through Uganda's cash budgeting system which is backed up by a manual accounting system. Whilst other programmes within the MTEF may be subject to cuts due to resource availability during budget implementation, GoU commits to the funds budgeted for PAF programmes being available over the financial year. Powerful votes, especially within the public administration sector (e.g. State House) are prone to over-spend against budget, and this is facilitated through the application for and approval of supplementary expenditures. This means that those institutions that are neither within PAF nor politically powerful are exposed to greater resource cuts and irregular disbursements.

The control of arrears and predictability of disbursements have been improved substantially within central government with the introduction of Commitment Control Systems for recurrent and

[6] In the late 90's GoU made explicit commitments on the additional nature of budget support provided to sectors and PAF, so as to avoid accusations that these funds were being diverted away to other sectors such as defence (PAF operational Guidelines, MoFPED 1998)

development budgets. These mechanisms for enforcing budget discipline, although crucial have tended to focus on controlling inputs and expenditures, and not on the achievement of results. A new integrated financial management system is currently being developed alongside a revision of the Public Finance Act. The aim is to move towards a programme based budget and a computerised, largely accrual-based accounting system.

## 2.3 Local Governments and service delivery

### *Decentralisation*

Uganda has a highly decentralised system of government with local governments responsible for the implementation of many government services. However this has not been fully followed up with fiscal decentralisation. Over 90% of local government funds come from central government grants and there has been a recent collapse in local revenue collection.

Within rural and urban local governments there are three layers of local government with elected politicians (see box), and five layers of administration.

### *Financing*

The vast majority grants from central government are channelled to local governments as ‘conditional grants’, earmarked by central government to specific areas of primary service delivery in sectors, mostly under the PAF. There are separate conditional grants for the recurrent wage, non-wage and development components. There has been a huge increase in the number and quantity of conditional grants in recent times, with over twenty grants making up over 75% of Local Government Budgets. Certain LGs also receive an equalisation grant as well, which is supposed to compensate LGs with low revenue potential and high costs of delivering services; however, the size of this equalisation grant is relatively insignificant. This grant must be allocated to PAF sectors.

All Local Governments also receive an unconditional or block grant, which largely funds administration costs and salaries as the central government has been unwilling to devolve discretionary funding to local governments for service delivery due to concerns over their capacity to allocate funds and manage programmes on their own.

Most development activities are funded through sector conditional grants; however it is important to highlight here the innovative Local Government Development Programme. This provides discretionary grants to district and subcounty local governments; however they first have to meet a set of minimum administrative and implementation capacity criteria, which are assessed annually. The grant is used for small scale investments at the district and lower levels of local governments.

The reason behind the recent steep decline in graduated tax has largely been political, when graduated tax, the main source of local revenue became a major issue in the Presidential and Local Elections. The decline or revenues has happened at the same time as the huge increase in conditional grants under PAF, which has further undermined the incentives to collect tax locally. The decline in the local tax take does vary from district to district, and the political support for taxation and the wealth of a district heavily influence the ability of local authorities to raise revenue.

There is increasing concern that the decentralisation process has been undermined by the increasingly conditional nature of funding, the increased number of grants, and the associated administration of burden, and the overall lack of autonomy being lent to local autonomy. Subsequently a Fiscal Decentralisation Strategy has been developed, which aims to streamline the transfer of funds to local governments, increase the autonomy available to local governments, and provide incentives for them to perform. The cabinet has approved piloting in 2003 of this Strategy.

### *Local plans and budgets*

Local Governments are required to conduct a participatory planning and budgeting processes, involving all levels of local government starting from the village through to the subcounty, and then the district. The main planning tool at the district and subcounty levels is the three year rolling development plan. The district development plan is made up of an amalgamation of lower level local government plans. In most cases these plans are not resource constrained and do not use performance indicators systematically, although they tend to be very systematic.

The budget process starts when MFPED provides ceilings for all central grants grant allocations in November and holds a series of regional budget workshops. Local Governments then prepare Budget Framework Papers mirroring the central government process. LGs review budget performance, project their available resources[7] over the medium term then plan and budget within those resource projections. Embedded in this is the identification and use of targets to review performance and plan in future. The LGBFP process is still not fully embedded into the budget process in many districts, and is often considered as a requirement of the centre rather than a decision making tool. BFP's are also not necessarily strongly linked to the Development Plans or the Local Government Budget itself as the BFP is not fully used in the political decision making process. Local Governments are also required to prepare separate activity based workplans for PAF conditional grants and the planning for activities is meant to be participatory and consistent with the BFP.

Local governments are also required to run cash budgets. Disbursements from central government, though often irregular, are protected as they fall under PAF or the resources are provided for under the Constitution. Local revenue is far less predictable and yet it contributes to the operational budget of key administrative and some sector departments (including education) within the district. Often revenue projections are of poor quality (either due to low technical capacity, political pressure or a mixture of both). Cash-flow is unpredictable as the majority of local revenue is collected in the last half of the financial year. There are huge problems of salary arrears in Local Governments.

Local Governments are required to report quarterly on PAF expenditures and outputs carried out, and disbursements are conditional on the production of reports. This process has been made easier by the fact that disbursements to PAF programmes are guaranteed. However, the reporting and accountability requirements from an increasing number of grants has contributed to an increasingly unmanageable administrative burden for local governments.

## 2.4 Public service reform

### *The reform programmes*

Throughout the last decade, the government has sought to address the need to improve the performance of the public sector through ambitious public service reform programmes. In the early 1990's, the civil society was bloated and inefficient with the key constraints being inadequate remuneration, poor civil service organisation and inadequate management and training. The reforms which have subsequently taken place, which have been led throughout by the Ministry of Public

[7] LGs are provided with indicative planning figures for conditional grants in October/November from MFPED, whilst they make their own projections for local revenue.

Service, have intended to make the public service more efficient, effective, and more responsive to the development needs of the country. Attempts have been made to establish new management systems, values and attitudes within the service.

In the early 1990's substantial progress in downsizing the public service and increasing pay was made. By 1997 the size of the public service had been reduced by 54% or 164,000 through retrenchment, voluntary redundancies, reductions in ghost workers, and a recruitment freeze. The number of Ministries had been reduced from 38 to 21.

In order to increase the commitment of staff to their jobs, a key element has been to ensure civil servants are paid a living wage, and one that is comparable to the private sector. Basic pay was more than doubled in the early 1990s and further increases were realised through the consolidation of various allowances into salaries. These increases fell way short of a living wage which was the aim, and since 1997 progress on pay reform has slowed dramatically. Public sector salaries are still way below those of the private sector and what is considered a living wage. Although there is a fully costed pay reform strategy, this has failed to gain the necessary political support during the budget process, and hence the resources required for it to work.

### *Results-oriented management and performance appraisal*

Results-oriented Management (ROM) and Staff Performance Appraisal are two important performance oriented administrative reforms, which aim to improve the efficiency and effectiveness of institutions. ROM is seen as particularly crucial in orienting public institutions towards the achievement of specific goals and targets. Piloting of the ROM began in 1997, and it has since been scaled-up to the all the central and local government agencies. The success of both the central and local government levels are mixed and has depended largely on institutional commitment to their implementation. An open system of staff performance appraisal is currently being introduced in Ministries and District offices. These initiatives are examined in more detail in section 3.3.

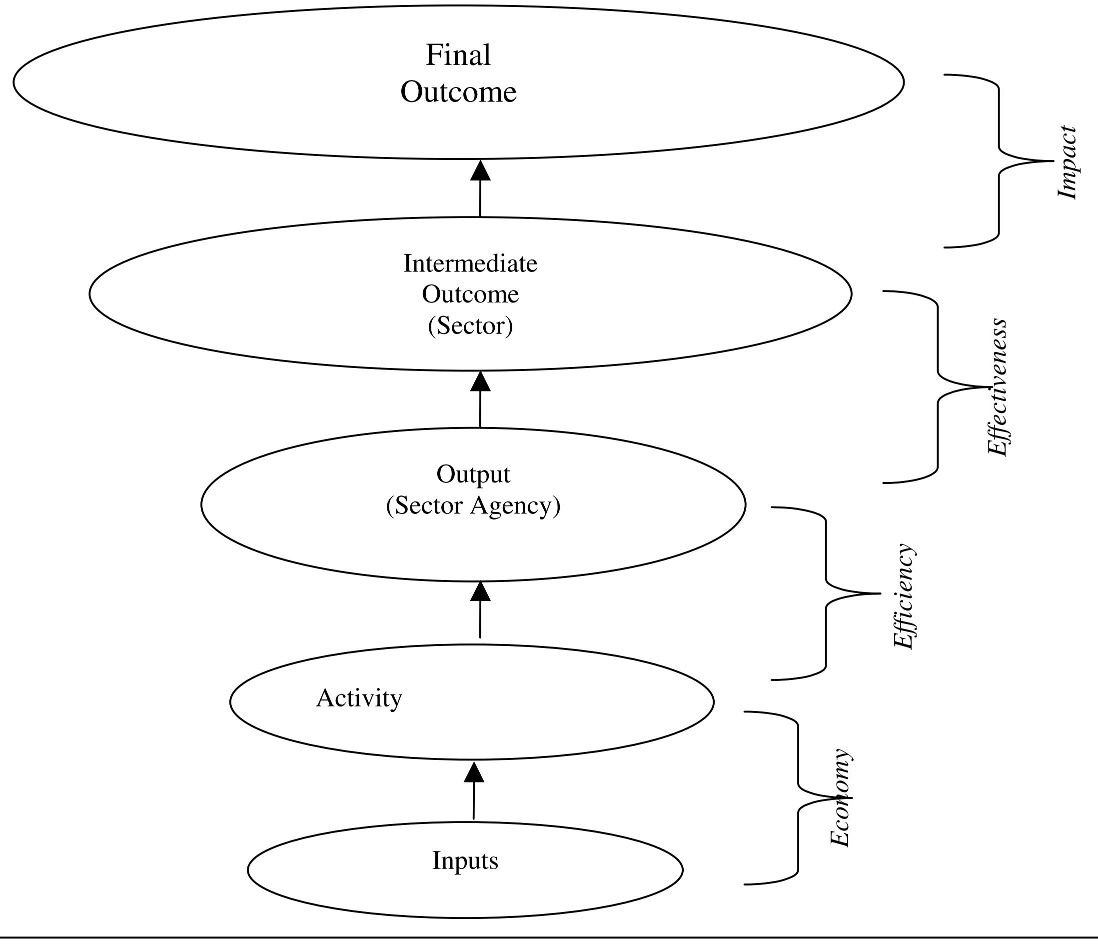
# Chapter 3: Indicators & Targets In Planning & Budgeting

## 3.1 Theory

### *The rationale*

The rationale behind use of targets and performance indicators in the formulation and implementation of public sector programmes is that they should enhance the efficiency and effectiveness of public expenditure by assisting in improving the policy, programme and expenditure choices made and accountability of programmes. If public polices have clearly defined purposes with specific objectives and measurable targets, it becomes easier to make those choices and assess performance. Results, therefore, should be used to justify the choice of public expenditure both when allocations are being made and after funds have been spent.

**Chart 2: Hierarchy of Results**




However, any performance targets and indicators identified must be seen to be useful and relevant, both by politicians in holding implementing agencies to account for their performance and those responsible for managing and implementing programmes. There must also be widespread understanding of, and commitment to, the objectives and targets of public policies throughout the performance management cycle. Without this 'ownership' within implementing agencies, and realisation of the usefulness of tracking progress in performance indicators results-based framework, performance information is unlikely to be used in improving decision making. Targets which are imposed on implementers from above can be destructive, undermining the morale for those who should be delivering results.

## *Indicators, targets and the budget*

The successful implementation of any results-based framework depends on the understanding of the different types of performance indicators, and the relationship between them. A clear terminology is needed and throughout this paper we use the terminology which is predominantly being used in Uganda, which was introduced as part of the Output Oriented Budgeting in 1998. We refer to results as follows:

- *Final (poverty) outcomes*: The strategic objectives of policies and of the programmes through which they are implemented.
- *Intermediate (sector) outcomes*: changes influenced by policies and programmes that represent steps on the way to final outcomes.
- *Outputs*: The expected short term results or products of policies, public expenditures and efficiency measures that are intended to contribute to the realisation of outcomes.
- *Activities and processes*: The activities and initiatives immediately set carried out under policies and public expenditures which produce outputs.
- *Inputs*: Policy decisions, the deployment of public expenditure and of public officials and agents with a view to implementing policies and programmes.

The relationship between each level of results is important: inputs are used to carry out activities; a series of activities culminates in an output; a group of outputs causes or contributes towards an Intermediate outcome; and an Intermediate outcome contributes towards the achievement of a final outcome. The extent or strength of each of these relationships is referred to as follows:

- *Economy*: The fewer inputs required to carry out a specific activity the greater the economy.
- *Efficiency*: The activities required to achievement of an output.[8]
- *Effectiveness*: The extent to which a set of outputs in a programme leads towards the achievement of Intermediate outcomes.
- *Impact*: The extent to which Intermediate outcomes impact on the governments final outcome or strategic objectives.

Predicting beforehand and measuring afterward the relative economy, efficiency, effectiveness and impact of public sector programmes and policies should facilitate better decision making within government. However, in reality these relationships are very complex and attempting fit policies and programmes neatly within this framework is difficult. Although outcomes and outputs are almost always there, it may be difficult or impossible to quantify and measure them or set targets. There are also problems in dealing with sectors whose outcomes are influenced by private as well as public sector outputs.

Performance indicators and targets need to be translated into to clear lines of responsibility for the achievement of results between and within government. This fosters both vertical and horizontal accountability. Politicians are able to hold the leaders of institutions to account for their performance and managers are able to assess the performance of departments or staff they are responsible for. This is also why it is important that the budget is aligned with performance indicators and targets, so that financial allocations and expenditures can be explicitly linked to the

[8] Henceforth reference to efficiency will refer to the interchangeable relationship of inputs to outputs, or activities/processes to outputs.

setting of targets and the achievement of results. This is the key principle behind performance or outcome/output oriented budgeting.

Here we examine the use of results from the level of national strategic planning and policy formulation to their use in the day to day delivery of services. Also we examine whether and how the use of results at each level are actually improving the efficiency and effectiveness of public expenditures, and whether the various initiatives are mutually reinforcing or working against each other.

## 3.2 Performance Based Planning and Budgeting

### *The use of results in national plans – the PEAP and sectors*

The Poverty Eradication Action Plan and sector planning processes are constantly evolving, and the use of results in these processes, although often haphazard, is becoming more and more embedded. The PEAP is an amalgamation of sector plans where they exist, and an articulation of sector priorities and interventions where they do not. These processes, this far have been mutually reinforcing – the PEAP revision was helped by the sectors that had completed long – term plans, and subsequently sector plans have been guided by the revised PEAP. Importantly, the PEAP process has not tried to usurp the sector planning process. This has meant that sectors have willingly participated in the PEAP process. The influence of the PEAP as a coordinating instrument has been helped by the level of political ownership, and coherent and consistent dialogue between those involved in PEAP and Sector Plan preparation. The existence of a strong Ministry of Finance, Planning and Economic Development which is responsible for coordinating both the planning and budgeting functions is also an important factor.

**Box 3: Hypothesis: Strategic Planning in a Results-oriented Context should involve:**

- The establishment of clear strategic objectives for government;
- The translation of government objectives into final and Intermediate outcome indicators and feasible targets;
- the development of effective evidence – based strategies and the associated public sector instruments and/or programmes for achieving these outcome targets;
- identifying output indicators, output targets and activities for public sector programmes directed towards the achievement of outcomes,
- Establishing the efficiency and economy of public sector programmes through assessing the inputs required and costing the achievement of activities and output targets.
- ensuring clear institutional responsibilities for the achievement of outputs; and
- Ensuring that in aggregate and individually resources are available (financial and non – financial) to attain the targets in public sector programmes.

An important feature is that objectives in sector plans are becoming more and more consistent with the goals of the PEAP. The objectives of the plans that predated the PEAP were not specifically oriented towards poverty reduction; the main rationale behind the original Roads and Education sector wide planning processes was to increase efficiency through the coordination and rationalisation of interventions. The 1998 Education Strategic Investment Plan (ESIP) was concerned with improving the access to, and quality of, primary education. However, the role of education in reducing poverty is not explored even though education has many potential impacts on poverty not just through the improvement of literacy – e.g. gender, nutrition, sanitation. Since 1997, the PEAP has subsequently helped orient the objectives of sector plans towards poverty reduction.

**Box 4: The Four PEAP Objectives**

- **PEAP Pillar 1:** improving good governance and security,
- **PEAP Pillar 2:** sustained economic growth and structural transformation,
- **PEAP Pillar 3:** enabling the poor to increase their incomes,
- **PEAP Pillar 4:** improved quality of life of the poor.

Despite the coherence in the long term planning processes, the application of results in the process has not always been coherent. It has proved a difficult and complex exercise to break down the overall PEAP objectives and outcomes into coherent sets of sector objectives and Intermediate outcome indicators, and formulate comprehensive strategies, identifying output indicators and the required public sector actions which contribute towards the achievement of those objectives

**Table 2: At a Glance –Strengths and Weaknesses of Long Term Plans**

| | **Strengths** | **Weaknesses/Challenges** |
|---|---|---|
| **Poverty Eradication Action Plan (2000)** | • Clear poverty reduction objectives<br>• Explicit use of evidence in the development of strategies<br>• Consistency of indicators and targets with sector plans<br>• Effort to identify a comprehensive set of performance indicators<br>• Distinction between outputs and outcomes<br>• An effort to cost full implementation of the PEAP was made<br>• Wide ownership of strategies in the PEAP | • Unclear lines of causality/accountability in translation of policies into outcomes, outputs & their targets<br>• Unclear institutional responsibilities for achievement of specific results<br>• Poverty Reduction Targets identified are unrealistic and not affordable in aggregate, with the PEAP being only 63% funded.<br>• There is little or no prioritisation of PEAP programmes, within available resources |
| **Education Sector Investment Plan (1998)** | • Clear priority interventions established in the ESIP<br>• The ESIP explicitly set out investments programmes and their associated outputs,<br>• In the ESIP attempts were made to cost achievement of specific outputs<br>• Political commitment and institutional ownership established resulting from participatory ESIP process | • No overall sector goal –no explicit linkage to PEAP/Poverty reduction outcomes<br>• No Intermediate/sector outcome indicator targets identified, with respect to sector priorities<br>• No recurrent service delivery targets, as ESIP an investment plan, not a development plan<br>• No explicit financing plan, relating the ESIP to available resources. |
| **Health Sector Strategic Plan (2000)** | • Role of Health sector in reducing poverty very clear & strong linkage to PEAP<br>• HSSP sets out Intermediate/sector outcomes very clearly<br>• Strong ownership of HSSP within MoH<br>• Identification of results needed from other sectors (e.g. safe water)<br>• Subsequent financing plan | • Linkage between Intermediate outcomes (e.g. reduced malaria prevalence) and programme outputs 'deliver MHCP' unclear<br>• Proliferation of targets, with 311 'output indicators'<br>• The HSSP sets out the inputs required to 'deliver the MHCP', with little justification of how MHCP, MHCP will achieve outcome targets. |

| Table 2: At a Glance – Strengths and Weaknesses of Long Term Plans | | |
|---|---|---|
| | **Strengths** | **Weaknesses/Challenges** |
| **Road Sector Dev't Plan (2001)** | • Strong bearing on rural production and hence poverty reduction<br>• Clear use of outcome and output indicators.<br>• Direct and indirect links of plan to the PEAP, PMA, and MTCS illustrated.<br>• Sector reform process informed by policy and management studies as well as audits<br>• Plan fully costed to June 2011 | • Difficulty of factoring in emergencies in routine maintenance in a long term plan<br>• Political influence/interference in selection of roads to build and maintain<br>• Factoring in delays in procurement makes targeting difficult |
| **Plan for Modernisation of Agriculture (2000)** | • Clearly defined purpose & specific objectives<br>• A multi-sector approach, which clearly identifies the role of other sectors<br>• Evidence based, with influence from UPPAP/Household Surveys<br>• Cross sector consultation & management processes | • Difficulty in linking public sector outputs to agriculture outcomes.<br>• No specific measurable indicators/targets<br>• Is not a plan, but a planning framework/ set of principles for rural development<br>• Not fully costed (can't be is not a plan)<br>• Weak framework for ensuring other participating sectors achieve results<br>• No specific sector plan elaborated for the agriculture sector within the context of PMA<br>• Lack of effective ownership within Ministry of Agriculture – PMA development chaired by Ministry of Finance |

## *Identification of indicators and targets*

The PEAP and most sector plans attempt to identify sets of outcome and output indicators for their objectives; however these indicators are not always comprehensive, and the categories of indicators, and relationships between them, are often confused. Subsequent efforts have been made to refine the use of indicators by the Ministry of Finance and sectors ministries, both in sector plans but also in the Poverty Monitoring Strategy (2002).

There is still much inconsistency in the terminology used, and/or the way different types of indicators are interpreted by different agencies and actors. Without a proper logical framework, setting out the lines of causality and hierarchy of results, it is more difficult to evaluate the efficiency and effectiveness of policies and programmes, and therefore also more difficult to make appropriate decisions to improve public sector interventions.

The PEAP distinguished between outcomes and outputs; however, there was no distinction between Intermediate outcomes (those which sector programmes directly contribute towards) and overall poverty outcomes. (those which sector programmes do not contribute towards). Table 3 below, from the Poverty Monitoring Strategy, sets out a more comprehensive set of PEAP priority Monitoring Indicators; however, it does not even attempt to distinguish between outcomes, intermediate outcomes and even output indicators. The list also sets targets against progress in all PEAP pillars can be measured;[9] however, it appears that those sectors which have no established plans and strategies were not fully involved in the setting of those targets.

[9] The list of outcome and output indicators in the PMES (MFPED 2002) is more comprehensive than the key indicators in the above table Overall there are 104 outcome and output indicators.

Some sectors have gone further than others in the identification of indicators and targets in their strategic planning – for example, the Health Sector Strategic Plan (HSSP) has a clear set of Intermediate outcome indicators (e.g. child, infant and maternal mortality rates, HIV prevalence, % stunting under 5's, reduction in regional disparities). Others, like the education sector, have been less willing or able, through their own processes to identify outcome indicators. This relative inability somewhat reflects the focus of the sector plan on service delivery objectives as opposed to poverty outcomes. The poverty monitoring strategy only identifies one Intermediate outcome indicator for the sector – literacy. Outcome indicators in Education need to illustrate more the quality or effectiveness of these services. In some sectors indicators identified were not measurable.

**Table 3: Poverty Monitoring Priority Indicators**

| | **Indicator** | **Target** | **Current Status** | ***Type of Target*** |
|---|---|---|---|---|
| **I.** | **Economic Growth and Transformation** | | | |
| | • GDP growth rate | 7% | 5%(02) | *Outcome* |
| | • Proportion of national budget used for poverty focused programmes | | 33%(01) | *Input* |
| | • Inflation rate | 5% | 4.5%(02) | *Outcome* |
| | • Domestic Revenue/GDP | | 12%(01) | *I- Outcome* |
| | • Foreign exchange reserves | 5 months of imports | 4.4 months (02) | *I – Outcome* |
| **II.** | **Good governance and Security** | | | |
| | • Incidence of misappropriation of public funds at national, district level | 0% | | *I – Outcome* |
| | • Number of people internally displaced by sex, age and location. | None | | *Outcome* |
| | • Beneficiary assessment of quality of service (police, and judiciary) | Qualitative (good) | Very poor | *I – Outcome* |
| | • Level of awareness about rights/entitlements. | | | *I – Outcome* |
| **III.** | **Increasing Incomes of the Poor** | | | |
| | • Economic dependency | | | *Outcome* |
| | • Poverty indicators – incidence/depth | 10%(17) | 35%(2000) | *Outcome* |
| | • Share of rural non – farm employment by sex and location. | | | *Outcome* |
| | • Yield rates of major crops<br>• Proportion of land area covered by forest<br>• GDP per unit of energy use | 400% | | *I- Outcome* |
| **IV.** | **Improving Quality of Life** | | | |
| | • Life expectancy in years by sex | | 43(2000) | *Outcome* |
| | • Infant mortality | 68(05) | 102(2000) | *I- Outcome* |
| | • Maternal mortality | 354(05) | 504(2000) | *I-Outcome* |
| | • Nutrition (stunted) | 28%(05) | 38%(2000) | *I-Outcome* |
| | **(a) Health** | | | |
| | • Immunisation coverage (DPT3) | 60%(05) | 46%(02) | *Output* |
| | • Percentage of approved posts filled with qualified health workers in public and PNFP* facilities. | 50%(05) | 40%(02) | *Output* |

**Table 3: Poverty Monitoring Priority Indicators**

| | Indicator | Target | Current Status | *Type of Target* |
|---|---|---|---|---|
| | • Deliveries in public and PNFP facilities | 35%(05) | 25%(02) | *Output* |
| | • HIV prevalence | 5%(05) | 6.1%(02) | *I-Outcome* |
| | **(b) Education** | | | |
| | • Literacy rate by sex, location | 50%(07) | 63%(01) | *I-Outcome* |
| | • Net school enrolment by sex and location | 98%(03) | | *Output* |
| | • Pupil/trained teacher ratio | 49:1(03) | 58:1(01) | *Output* |
| | • Pupil/textbook ratio | 6:1(03) | 4:1(01) | *Output* |
| | • Classroom/pupil ratio by location | 92:1(03) | 98:1(01) | *Output* |
| | **(c) Water and Sanitation** | | | |
| | • Number and proportion of population within ½ km to safe water by location | 60%(04) | 52%(01) (rural) | *Output* |
| | • Number and proportion of population with good sanitation facilities. | 60%(04) | 50%(01) | *Output* |

*Source*: Poverty Monitoring & Evaluation Strategy, MFPED June 2002 (Italics authors addition)

## *Formulation of strategy*

Those plans without clear outcome level indicators and targets had less focused strategies and arguably the strategies chosen looked less effective. Although the first Roads Sector Development Plan and Education Sector Investment Plan (ESIP) are, at the input and output level, elaborate, there is little analysis of the rationale behind the strategies chosen in terms of poverty reduction[10] outcomes, as these outcomes had not been identified. One of the major objectives of the ESIP was improved quality in education; however, quality was not clearly defined, which means that the strategies to improve quality do not have adequate focus.

**Box 5: Results influencing the PEAP: UPPAP and the Water Sector**

The Uganda Participatory Poverty Assessment Project, consulted the poor on their priorities and safe water emerged as one of the key concerns of the poor. Thus the water sector was given a higher priority in the PEAP.

Subsequently $13 million (25%) of the additional funds from the enhanced HIPC debt relief initiative in 2000/1 were allocated to local governments for the provision of safe water and sanitation.

Sector strategies developed after the PEAP have been better oriented towards poverty reduction outcomes**.** The Health Sector Strategic Plan (HSSP) and the Plan for Modernisation of Agriculture (PMA) take more time to position their interventions in terms of their contribution towards achieving poverty outcomes. This can be directly attributed to their being developed after the PEAP.

[10] For example, Uganda's ESIP has lent more weight to building classrooms than purchase of text books. In a country with a favourable climate which it may be more appropriate to give a greater weight to ensuring children have access to learning materials first, and classrooms second.

If a strategy or plan is to be effective, the interventions and the associated outputs chosen need to be backed up by evidence that they will influence Intermediate (sector) outcomes. Following the original PEAP, much analysis of progress in government programmes as well as the causes of poverty had been carried out both by sectors themselves and the poverty monitoring and analysis unit in MFPED. The identification of priority actions within the PEAP benefited therefore from the following work:[11]

- The Poverty Status Report, which included analysis on poverty outcomes, and the impact of Government policies.
- The findings of the Uganda Participatory Poverty Assessment, where the poor had been consulted on the causes of their poverty, and their needs and priorities. This confirmed education and water as some of the poor peoples' top priorities.
- Information on Progress in the implementation of sector programmes.

The PEAP lists public sector interventions and briefly describes how each intervention should impact on poverty. However, it is difficult to pinpoint where evidence on performance has influenced the policies and sector outputs set out in the PEAP. There are a few, important, exceptions. This includes the prominence of the water sector in the Revised PEAP resulting from the UPPAP findings; however, it is the budget process where the allocations decisions were made. The PEAP process itself has not involved prioritisation, and to date has involved few new policy or resource allocation choices; however, the overall orientation towards poverty reduction of strategy development has increased. As the PEAP does not set out sector strategies in detail, arguably performance information is more appropriately used during sector planning and policy making and the associated prioritisation within sector plans.

Over time, performance information has increasingly been influencing sector policy and strategy choices. The Plan for the Modernisation of Agriculture (PMA) draws from the findings of the Uganda Participatory Poverty Assessment Project (UPPAP). The interventions proposed in the Minimum Healthcare Package of the HSSP are based on analysis of the disease burden in the country. However, there is little evidence in the Education Sector. In order to improve the quality of education, one of the major focuses of the ESIP was on classroom construction and this was given a greater priority than the provision of instructional materials; however, the international evidence suggests that the returns to investments in textbooks are greater.[12]

Although evidence is used in some plans to justify interventions, in no sector plans are there significant signs of any rigorous ex-ante impact analysis of the effectiveness or impact of the policies being adopted in the plan. Such impact analysis would have helped sectors choose more effective instruments for achieving the desired poverty reduction outcomes. With the observed unclear distinction between final and intermediate/sector outcomes, it becomes more difficult to establish the rationale and possible impact of different strategies which should produce outputs that contribute towards sector outcomes. The HSSP is an exception where an elaborate logical framework has been developed, which attempts to link outputs to sector outcomes and poverty outcomes. Although there are flaws, and there is a proliferation of output indicators, it is a very good attempt. Other sectors do not make an explicit attempt to link actions to outputs to outcomes largely because sector outcomes are not identified.

The interrelationship between sectors outputs and the achievement of sector outcomes is not given much attention in the health, education, and roads sectors, and strategies are limited to sector agencies alone. The PMA takes a different, multi-sector approach. The PMA's approach is

[11] These three aspects form key elements of the Poverty Monitoring Strategy which are analysed in section 5.3.
[12] John Roberts, ODI (2003)

important because it recognises the need for a sector to identify what interventions it needs from other sectors to achieve results, both in terms of sector outputs and outcomes. Often sector plans only look within themselves, when seeking to achieve results. For example, to improve infant mortality, a sector outcome indicator in health is likely to need a mix of interventions in the agriculture, education, water and health sectors. Although the HSSP acknowledges the importance of safe water supply, only recently has analysis been carried out including the importance of such cross-sector factors on health outcomes:

> 'A multitude of factors, such as household income, female education, access to safe clean water, security, gender disparities, HIV/AIDS, cultural practices and nutrition are recognised to impact on child survival' [13]

The main problem with the PMA is that it identifies the cross-sector interventions at the expense of elaborating on the strategies within the agriculture sector itself, and explicitly the role of the public sector. This leaves the PMA as effectively a planning framework and not a plan in itself. In implementation, however it is being used as if it were a plan.

### *Identification of inputs activities, and output indicators and targets*

The strategies chosen in sector plans should have clearly defined output indicators and targets, as outputs help define the specific actions and inputs required to achieve outcomes. It is in this respect that most progress has been made within sector planning in Uganda. Even without orientation towards sector outcomes, this is a crucial development in itself, as improving efficiency allows the rationalising and costing of inputs required for the achievement of sector outputs and allows the measurement of performance against targets.

Sector plans do, however, take different approaches to the identification of outputs indicators and targets and this partly reflects differences in the nature of sectors and partly reflects a different interpretation of the classes of results. In many cases, the indicators have been revised and refined though sector processes since the writing of plans through the SWAP review and Budget preparation processes. These processes are examined below. For example, the output target in the ESIP set at the construction of 25,000 classrooms by 2002 has now expressed as a pupil to classroom ratio of 92:1. In fact, a completed classroom is really an input which contributes alongside enrolment towards generating the output of a lower pupil to classroom ratio.

In the HSSP there are two level of output indicators, which reflects a definitional problem in the plan. There are sets of programme outputs such as 'the delivery of the minimum healthcare package' which are in effect, policy priorities. Under each programme a series of output indicators are set out. However, with 311 output indicators identified, no specific targets are assigned to them, which meant at the outset, it was almost impossible for information to be collected and reviewed comprehensively. The health sector soon realised that this was impractical; however, in reaction to this they have now gone from too many indicators to too few. With only monitoring of four key service delivery outputs, this sample of activity cannot adequately reflect the diversity of health service delivery.

One common feature is the difficulty of identifying output-level performance indicators and targets for central government institutions in the sector planning process, as they do not deal with service delivery. Most central ministries are only responsible for development of policies, quality assurance, mentoring and monitoring. As a result their outputs tend to be many different, and often one off (not recurring within the year) – for example a key output of the MFPED is the budget – but

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[13] See Ministry of Finance (2002): 'Infant Mortality in Uganda 1995 – 2000'

do you measure the output as a one or a zero? This was the major reason why the HSSP has so many output targets, and each discrete policy reform or new system to be developed is identified as a separate output target. Therefore, there is a need to distinguish between a service delivery output (outpatient attendance, immunisation coverage) and a process output (Budget Read, Health Management Information System being put in place). Both need to be identified and planned for specifically, but they require handling differently when planning. The major exception here is the Ministry of Works Housing and Communications as it is responsible for certain elements of service delivery itself, although this is due to change with the formation of the Road Agency.

The table of indicators in the PEAP gives a fairly comprehensive list of service delivery outputs; however no targets are assigned to the outputs.[14] Where sector indicators existed in sector plans, they were used in the PEAP, and where they had not been developed, efforts were made to identify output indicators for those interventions. In other parts of the document, the PEAP sets out the existing output targets which form part of existing sector plans in Roads, Agriculture, Education, Health, Water and Sanitation, and Justice Law and order sectors. Those specific indicators which were identified are therefore consistent with existing sector plans, and their associated actions. The PEAP also lists past and planned policy reforms in matrix form and describes them in the main text.

### *Lines of responsibility for the achievement of results*

A major problem associated with the observed haphazard use of performance indicators in plans, is the difficulty in assigning responsibility for achievement of results to agencies, and their constituent departments at the planning stage.[15] This is not always clear, due to the lack of a clear hierarchical classification of results and a budget structure which is not fully programme based.

**Box 6: No Room to Invest in Post Primary Education?**

The education sector has focussed on expanding primary education services, per se and not achieving poverty reduction outcomes. The ESIP focused on investments and output targets relating to investments – however the biggest expenditures have been recurrent on teachers salaries with an additional 30,000 recruited, and on school running costs.

In future there is unlikely to be a substantial rise in the education sector budget. With so much of the education sector budget tied up in recurrent expenditures (which are very difficult to cut), the sector is now faced with very limited scope to invest in post – primary education and expand post – primary learning opportunities for the poor.

If accountability for results is to be improved, it should be clear at the outset which institutions are responsible for which output targets, so that they can be held to account during the implementation process. Although it is clear which outputs relate to which sectors, due to the way the MTEF adapts the administrative classification of the budget, the agency/institutional responsibility is often unclear, especially amongst central agencies. The only results and targets where it has been relatively easy to assign responsibility are those which refer to actual service delivery and these are usually the mandate of Local Governments (education health and agriculture services). However, sectors often do not disaggregate performance information by local government ex-ante during the planning process.

[14] This was subsequently addressed in the Poverty Monitoring & Evaluation Strategy (2002)
[15] In New Zealand, Ministers are responsible or accountable to parliament and the public for the achievement of sector outcomes, whilst accounting/executive officers, within government institutions are responsible for the delivery of agreed sector outputs, and sign contracts which commit themselves to achieving those outputs.

It is also important that there is a clear delineation of roles between the public and private sector in the delivery of results, so as to ensure that there is an efficient use of public resources so that a clear chain of responsibility and accountability for the delivery of results. This is especially true for agriculture, where the line drawn between public and private is particularly murky.

### *Costing of plans and targets*

Sector plans usually are comprehensive and fully costed. This has enabled the Government to cost the achievement of the desired poverty reduction outcomes in the Revised PEAP. All sectors apart from agriculture have fully costed the implementation of their plans. However, the ESIP was only an investment plan and only takes into account capital costs, excluding the routine aspects of service delivery. The HSSP and revised RSDP take a comprehensive approach by examining the recurrent costs/inputs of delivering services according to 'minimum healthcare package'.

However there are different approaches to the costing of these plans and the linkage to results. The exercise in education is relatively clear and straightforward largely because the inputs required to teach a pupil are relatively uniform and easy to identify – the cost of building a classroom, buying textbooks, paying a teacher are all known. It is, therefore, relatively easy to identify and cost the mix of these inputs required in the activity of educating a child, and the associated outputs. Roads is a similarly easy exercise, although the occurrence of cost-overruns remains common and it is difficult to cater for, and cost, unpredictable elements such as the weather.

The costing of the HSSP was less straight forward, largely because it is difficult or even impossible to cost the many different outputs which were less clearly defined. The activities in the health sector are not homogenous – there are preventative as well as curative activities, when a patient is ill he/she can be ill in several ways, often with different inputs associated with treatment. This meant that the costing was largely based on an assessment of the inputs required to deliver what was called 'the minimum healthcare package' rather than a systematic assessment of inputs required to carry out the activities required to achieve a set of outputs, given the mix of diseases in Uganda. This means that in the HSSP it is therefore very difficult to distil out the estimated costs of reducing malaria prevalence relative to polio, and hence compare their relative efficiency and effectiveness. Agriculture has a similar problem, where there are diverse interventions being carried out and there is no way to distinguish between different outputs.

**Box 7: The Affordability of PEAP Targets**

If 2000/01 expenditure levels continued, it would have the following effect on PEAP targets:

- **Roads:** 75% of Rural Road Network maintained over 5 years (target 100%)
- **Agriculture:** 10 to 20% of rural households benefit from agriculture advisory services (target 80%)
- **Education:** 10 – 15 years until every primary class has a classroom (target 5 years)
- **Health:** Only 50% of parishes with healthcentre in 5 years (target 100%)

*Source*: PEAP Volume 1, MFPED 2000

The ability to cost the majority of its priority programmes was very important as it allowed GoU for the first time to compare the costs of implementing its desired policies and compare this to available resources in aggregate. This was done by adding up the cost of achieveing output targets in pre-existing sector plans and making estimates of others.

However, the stark conclusion from the costing of the PEAP is that, in aggregate, sector programme targets would not be realistically achievable. The estimates were current expenditure levels would result in only 63% of planned outputs identified in the PEAP being achieved. Projections were made of resource availability over the long term and it was concluded that GoU would either need a 60% increase in real resources to implement PEAP fully from the outset or take at least seven to ten years before required investment levels could be afforded in full. This costing exercise did not, however, break the expenditures into recurrent and development, which would have also shed light on the ability of government to sustain levels of service delivery over the long term.[16]

This has brought into question the realism of the PEAP and sector planning frameworks. The sector planning framework to date has not take into account the availability of resources, and currently there is little incentive for sectors to come out with the most efficient of effective strategy choices.

There is urgent need for a resource constrained planning framework which results in prioritised and affordable sector policies and realistic long-term targets to be established. MFPED has indicated that it will develop a Long Term Expenditure Framework (LTEF), and use this as an instrument for ensuring affordable and achievable plans.

## 3.3 Results and the National Budget Process

### *Output oriented budgeting*

The Ministry of Finance introduced the concept of results into the MTEF process in 1998 with the introduction of Outcome/Output Oriented Budgeting (OOB), on a sector basis. Sector expenditure decisions are supposed to be justified in terms of past performance, and expenditure levels in terms of the specific outputs they intend to achieve.

The main entry point for OOB in the budget process are the Sector Working Groups, and the tools are the reports prepared by these groups which are consolidated into the National Budget Framework Paper (BFP). The Ministry of Finance provides Sector Working Groups with terms of reference for the preparation of their reports. The sectors are supposed to identify output, Intermediate outcome and outcome indicators, and review sector performance against those targets and set targets. The targets set need to justify the sector budget allocations; however, this is can only be done loosely. Indicators and targets are not yet formally linked to the budget structure as it is not yet programme based.

**Box 8: Hypothesis: Results Oriented Budgeting**

- Real results sought are planned, followed up and recorded simultaneously and in close association with the planning, execution and accounting for the flows of public finance that make them possible.
- Real results should justify public expenditure both **before** allocations are made and **after** they are spent.
- Results should be justify inter and intra sector allocation of resources, and should be strongly linked to long term sector plans where they exist.

Although the broad group of stakeholders in Sector Working Groups are supposed to be responsible for preparing the reports, the majority of the work is carried out by planning departments in sector ministries supported by the sector budget officer in the Ministry of Finance. The sector working groups advise and agree on what is proposed, but effectively hold little real power in this process.

[16] See PEAP (2001 – 2003) volume 1, chapter 7

**Table 4: Results in the Budget Process –Strengths, Weaknesses and Challenges**

| | Strengths | Weaknesses/Challenges |
|---|---|---|
| **Overall** | • Culture of using results and targets in medium term budgeting is being embedded through OOB.<br>• Increased linkage of sector budgets to planned results in sector plans, and sector review processes.<br>• Initiatives that are using results (PEAP, OOB, SWAPs, ROM) are not working against each other.<br>• Draft Public Finance Bill and IFMS provides an important opportunity to formalise OOB, integrate it with OOB, and establish consistent definition of results. | • Lack of prioritisation of inter sector allocations on the basis of results –MTEF allocations incremental or donor driven.<br>• Sectors focus on maximising the next FY's allocations, and not MT.<br>• The use of results in sector budgeting is not always translated into results-oriented budgeting on an institutional level, especially within central agencies.<br>• OOB and other results-based initiatives are not always joined up<br>• Increased power of sector reviews could de-link target setting from budget process in the future. |
| **Education Sector** | • Clear output targets (both rec't & dev't for service delivery –e.g. pupil:teacher, pupil:classroom etc.)<br>• Outputs clearly linked to budget expenditures<br>• Ownership of targets through sector reviews<br>• Strong linkage to ESIP | • No sector outcomes identified in BFP<br>• Sector reviews becoming more important than SWG/BFP process for setting targets, and this could de –link budget from targets<br>• Too much focus on UPE –affordability of targets post primary<br>• No targets for MoES in the BFP, and few process outputs |
| **Health Sector** | • Four simple, measurable targets for service delivery (outpatient attendance, immunisation rate, # deliveries)<br>• BFP allocations and results consistent with HSSP<br>• Poverty focus in allocation of funds | • Focus in BFP on inputs required, not outputs<br>• Difficulty in linking of general service delivery outputs to specific sector outcomes (i.e. OPD to malaria prevalence)<br>• No mention in outputs required from other sectors<br>• Total absence of results for MoH in BFP => incremental budgeting |
| **Road Sector** | • Clear outputs, performance indicators and targets, analysed systematically<br>• Cost projections for activities<br>• Budget performance close to 80% and consistent enable achievement of result<br>• Ministry budget justified in terms of results (is an implementer), and targets are broken down by department | • Delays in procurement affect achievements/makes budgeting difficult<br>• Emergency activities distort and affect budgeted targets<br>• Donor funding for projects not always forthcoming. (DANIDA pulled out of a major roads project) |
| **Agriculture** | • Specific outputs for integrating PMA principles into agriculture sector<br>• Strong linkage to PEAP/Poverty<br>• Process outputs clearly set out | • Need for service delivery outputs in BFP, in addition to process<br>• Indicators in BFP often not measurable ('quality of food improved for national and export markets')<br>• Mixing of outcome and outcome indicators<br>• No clear linkage between budget allocations and results |

*Allocation of funds within sectors*

During the budget process, Sector Working Groups through the preparation of their contribution to the Budget Framework Papers, are therefore required to analyse past performance in relation to achievement of outputs and outcomes relative to past targets and to set output and outcome targets to be achieved over the MTEF period. Sector Working Groups have been given support by the Ministry of Finance in the identification indicators and targets in their BFP's through the holding of retreats. Special focus has been given to those sectors which have not yet developed long term sector-wide plans, and do not have strong review mechanisms. In the four sectors examined, indicators and targets used in their BFPs tended to be less numerous than in sector plans, and those indicators used were often aggregate service delivery outputs and further those by local governments. The roads sector BFP was the most elaborate and attempted to link output to outcomes, and then systematically review performance against output target by sub sector. There was also some attempt to relate different types of input to outputs. The education sector has used the budget process to refine its indicators since the development of the ESIP and develop indicators and targets relating to recurrent expenditure (e.g. the teacher to pupil ratio, which were not included in the ESIP.

The rationale for examining budget performance in the BFP is to review how efficiently inputs (and activities) are being used in achieving outputs, and using this information to reach a better inter and intra sector allocation of resources. Although long-term plan targets should guide allocations, there should be flexibility to adjust targets and reallocate on the basis of actual performance. The changes in output indicators relative to the inputs used, therefore, need to be assessed and compared between different programmes within a sector and between sectors. In sector BFPs there is analysis of past performance in terms of results, as well as financial performance; however, the quality of such analysis varies, dependant on how systematic the use of indicators is, and the availability of information on performance, once indicators are identified.

**Box 9: Who produces which Outputs ?**

During the budgeting process it should be clear which agency is responsible for which results. There are, however, 75 agencies in total in the education sector each producing results:

- *Ministry of Education & Sports*
- *Education Service Commission*
- *Institute of Teacher Education*
- *Uganda Management Institute*
- *Education Standards Agency*
- *Mbarara University*
- *Makerere Universty*
- *56 District Local Governments*
- *13 Municipal Local Governments*

Sector analysis of budget efficiency tends to be used as a means for improving input/activity decisions within sector programmes, but rarely influences allocations between sector programmes. Observed poor efficiency in classroom construction, especially in terms of the quality of outputs, did not lead to a decision to reallocate towards purchase in textbooks, for instance. However, decisions were made to improve the efficiency of classroom construction by altering the composition of inputs – funds were allocated by the centre towards contract supervision, and the placement of engineering assistants to districts. It is arguable whether such decisions should be made at the national sector level or whether local governments should be given the freedom to identify the inputs and activities best suited to achieving programme outputs – these may vary from region to region.

In the Education, Health and Roads sector allocations to local governments are on the basis of achieving aggregate service delivery indicators. In education the national status in indicators such as the pupil to teacher, classroom and textbooks have a strong influence on allocations between programmes within the sector. Recurrent allocations in health allocations are based on the assessment of inputs required to deliver ‘health services’ without linkage to specific output indicators, however allocations between local governments are weighted according to poverty.[17] Road maintenance is loosely linked to the cost of maintaining the existing road network. The influence of results intra-sector allocations in agriculture not apparent, and this can be traced back to the fact that the agriculture budget remains fragmented, and there is no detailed strategic plan for the sector itself.

Individual central institutions, are largely not pressed to relate their actual performance to budget allocations, and MFPED has tended to continue with incremental budgeting. Despite the policy of decentralisation, no sector line ministry has seen its budget allocation drop, because the substantial increases in the GoU budget has meant there has been no need to cut ministry allocations whilst expanding those to local governments. In the BFPs there were often no justification in terms of performance measures or targets for central agencies. For example, although the allocation of Ministry of Health Budget is nearly 60% of the total health budget there were no specific output indicators or even process outputs for the institution for 2002/3. All the targets in the health sector relate to Local Government Units, which only represent 40% of the health budget. The exception here is the Roads Sector BFP, which goes to the extent of identifying process outputs for individual departments within the ministry.

Despite improvements in key sectors, the GoU budget remains fragmented with a very large number donor projects administered by both central and local government agencies and further confuses institutional responsibility aggregate allocations, and source of inputs for the achievement of a given target. For example, in the agriculture sector there are several parallel programmes ongoing providing agriculture advisory and extension service. Some of these programmes are funded through the government budget (Graduate Extension Officers), and some through donor funded programmes (e.g. the Area-Based Agricultural Modernisation Programme) managed by the ministry, or by a semi-autonomous agency (the National Agriculture Advisory Services). Add to this many donor funded projects being administered by NGOs, it thus becomes very difficult to establish, ex ante, at the budgeting stage clear chains of responsibility within the sector, and to allocate resources equitably and efficiently.

In the sectors with well established SWAPs, such as Health, Education and Roads, sector review fora are increasingly becoming the major mechanisms for reviewing performance in outputs and agreeing future actions, as at these fora sectors usually produce and present sector progress reports. This, to a certain extent has diminished the importance of the review of progress by sector working groups in the BFP, which is not necessarily a problem. In fact such sector owned results-based processes should be viewed as an opportunity, provided that a sector’s review of performance should still take into account budget effectiveness, efficiency and economy of expenditures, and output targets set should remain consistent with availability of resources, as indicated in the budget process, and the timing of decisions are consistent with the budget process.

After five years, the Budget Framework Paper process is beginning to take on a routine feel, and there is, an overall diminishing interest in the decision making process in embodied in the preparation of BFPs and the performance assessment and target setting. The danger is that the sector

[17] Household Consumption is used as a proxy.

reviews become the forum for agreeing aggregate output targets without a strong link to the budget, and the budget process increasingly becomes a process solely for gleaning additional resources from MFPED for the next financial year. The end result of this is a system where the necessary intra-sector budget reallocations required to improve effectiveness, efficiency and economy of budget allocations are not made.

### *Expenditures allocations between sectors*

A further problem is that neither sector outcomes and output targets, embodied in sector plans, nor sector performance have been used systematically as a means of justifying allocations between sectors despite the observed shift in the composition of expenditures. Although there is no scientific way of arriving at inter-sector allocations, it is important to document the relatively haphazard way the existing composition of the budget was arrived at, and the limited role of performance based budgeting in it.

The PEAP and sector plans have substantially influenced the allocation of additional resources available to GoU. The move by donors away from projects towards earmarked sector support channelled through the GoU budget was a major driving force behind early increases the education and health sectors. The trigger for this switch by donors was the very existence of the sector plans and associated SWAP processes, and not the composition of those plans per se. Conversely debt relief under the HIPC initiative was not earmarked and GoU was free to chose where to spend the additional funding. The 1997 PEAP influenced budget allocations, despite not being particularly performance oriented. GoU chose to form the PAF and allocate the original HIPC towards the new priorities in the PEAP. The first real evidence of performance information influencing sector allocations was when UPPAP led to a reprioritising of PEAP outcomes in 2000 towards the water sector and enhanced HIPC funds were allocated there.

As noted above, during the last five years no sector has seen a reduction in its MTEF allocation. There was a first mover advantage to those sectors which developed their plans earliest (roads, education and health) as they received substantial budget increases, whilst those which have followed after (PMA, justice law and order and social development) have not. This is because the scope for increasing the budget has since been reduced, due to the macroeconomic concerns of the MFPED. The PMA suffers the added disadvantage of having no comprehensive costing, which has limited the ability of the agriculture sector to bid for additional resources. It is difficult to see how some sector allocations will be reduced to make room for increases in emerging sectors, enabling them to achieve more of their sector targets.

Instead, there is a danger that the budget process will be reduced to one where sectors focus on trying to solicit additional resources from the MFPED for the following year. Even now, rather than justifying existing intra-sector allocations on the basis of results over the medium term, sectors often only make efforts to use output indicators and targets in the context of justifying increases sector's budget ceiling in the following financial year – ('We require and additional $x to carry out abcd and e"). So long as sectors know that there is a possibility of gleaning additional resources during the budget process, their attention will be focused on this, even if they don't achieve them).

# Chapter 4: Performance Management from an Institutional Perspective

## 4.1 Differing perspectives – ROM & OOB

If budgeted output targets and ultimately outcomes are to be achieved, the roles and responsibilities of agencies, departments and staff within those agencies and departments must be clearly defined, and responsibility for achievement of results clearly assigned to areas of an institution. A major feature of the Ugandan budget process and OOB in particular has been the focus on the sector – i.e. budgeting coherently and collectively for all agencies within a given sector to achieve common goals and targets. This involves allocating resources between different institutions within a sector, on the basis of the contribution of those agencies towards common objectives.

**Box 10: Hypothesis – Central Agencies and Results**

- The devolution financial and operational authority to lower levels of programme management within central agencies, is key to the achievement of results.
- Managers and staff should understand and be committed to the results they are supposed to achieve,
- Managers need flexibility and latitude to making operational decisions.

The Results-oriented Management initiative has taken an agency perspective, and encouraged individual agencies to develop their own objectives, output targets. ROM and OOB have evolved as parallel initiatives, spearheaded by different institutions (the Ministries of Finance and Public Service), which has meant that the linkage between ROM and OOB, and correspondingly sector and agency budgeting has not been clearly developed and followed through. However, it also means that different solutions and approaches have been developed, and ROM has helped show that performance management can improve performance even without a tight linkage to the budget. The ROM initiative is more participatory than the ostensibly top-down setting of targets under OOB. Here the links between institutional ROM and the sector OOB initiatives are examined, and the potential synergies in ensuring a comprehensive results-oriented planning and budgeting process are brought out.

In Uganda sector ministries are the policy makers, and are responsible for overseeing, mentoring and monitoring sector implementation;[18] whereas local governments are responsible for the bulk of service delivery. These two groups of institution are examined separately in this chapter. It is important to note that in all the sectors examined there are (or in the case of roads, will be) centrally managed agencies, such as Universities and the National Hospital at Mulago, which are responsible for elements of service delivery which this study was unable to cover.

## 4.2 Results and central ministry performance

### *Planning and budgeting*

As highlighted in the chapter three, the results used to justify expenditure allocations in sector Budget Framework Papers have tended not to put much focus on individual central ministry and agencies – this is especially the case in those sectors where service delivery is the mandate for

[18] The one exception here is the Ministry of Works which is still responsible for the implementation of roads programmes, how this is soon to change with the formation of the Road Agency.

Local Governments (Agriculture, Health, and Education). Allocations for the ministries are largely based on previous allocations with incremental increases year on year.

| **Table 5: Use of Results in Ministries** | | |
|---|---|---|
| | **Strengths** | **Weaknesses/Challenges** |
| **Overall** | • Results-oriented Management encourages agencies to identify strategic objectives & output indicators and targets<br>• Most central agencies have produced annual performance plans under ROM<br>• Some agencies are reviewing progress against ROM plans<br>• Introduction of staff performance appraisal indicates willingness to change management practices.<br>• The use of process indicators in some ministries is beginning to emerge. | • Specific outputs for central agencies often not identified in sector BFPs<br>• No explicit linkage to budget process<br>• Effectiveness of ROM contingent on PS<br>• Managers are constrained in staff management: Inability to promote and/or reward high achievers (travel, training), or to discipline staff<br>• Poor practices in management/leadership, with managers unwilling to delegate decisions, and a lack of interaction with staff (importance of praise)<br>• Managers have little real control over their inputs<br>• Poor remuneration of Central Gov't staff relative to private sector, and lack of political will to change this. |
| **Ministry of Education & Sports Sector** | • Strong ownership of ESIP in MoES<br>• 'Creativity stifled' by lack of flexibility<br>• Identification and monitoring of process indicators in the SWAP process focus ministry activities. | • Excessive focus on sector over ministry – Planning Department has a lot of responsibility relative to line departments<br>• Little evidence of ROM in action, or targets for individual staff |
| **Ministry of Health** | • Strong ownership of HSSP reflected in consistency of MoH and HSSP targets<br>• Explicit targets for departments set under ROM, with department workplans prepared regularly<br>• Involvement of PS in ROM ensures managers take departmental performance reporting seriously => ensure targets more realistic and related to available resources | • No mention of Ministry of Health outputs in sector BFPs, despite controlling 60% of the sector budget (including projects)<br>• No specific targets for individual staff<br>• Source of finance (e.g. donor project) sometimes influences targets set |

**Table 5: Use of Results in Ministries**

| | Strengths | Weaknesses/Challenges |
|---|---|---|
| **Ministry of Works, Housing & Communications** | • Clear service delivery outputs – Ministry an implementer, easy to identify.<br>• Indicators consistent in ROM and BFP<br>• Strong leadership from PS, regular departmental meetings<br>• ROM an integrated part of their Management Policy Manual | • Once Road Agency formed, MoWHC will no longer be responsible for delivery of services, and will require adjustment of targets, moving towards process. |
| **Ministry of AgricultureAnimal Industry & Fisheries** | • Interest of PS in ROM as management tool | • Lack of ownership of PMA results in inconsistent approaches and strategies<br>• Departments want to deliver services '# improved goats produced'<br>• Inertia towards realigning with PMA |

The ministry budget submissions, especially for the recurrent budget, usually just set out the allocation of funds to line item in each ministry department. Ministry development budgets are put under more significant scrutiny, with each ministry's development budget being put before a development committee. However, the proliferation of projects within government means that it is very difficult to examine these projects adequately. The very existence of projects fragments and blurs accountability, and with over 350 projects in over 100 votes at central government there are substantial problems. It is also unclear under to which department individual projects belong, which also undermines accountability within institutions.

**Table 6: Percentage of Budgets**

| Ministry | % GoU Sector budget to Ministry (01/02) |
|---|---|
| Health | 25% |
| Education | 22% |
| Agriculture | 53% |
| Roads | 86% |

Under the ROM process Sector Ministries have been encouraged to develop 'Annual Performance Plans' which set out the Ministry's strategic objectives and target outputs for the institution over the financial year. Individual targets for ministry departments and sections during the financial year are set out in these plans, but they are not explicitly linked to the budget used to justify resource allocations. Despite this, where ministries which have embraced the ROM initiative and regularly reviewed their departments' performance against plans, and the associated performance targets have become increasingly more realistic, and by default more strongly linked to the availability of resources. This is not a full substitute for having an explicit link, yet it goes some way for explaining why ministry targets often do not make their way into sector budget framework paper submissions.

The exercise of determining indicators and targets in the ROM planning exercise is intended to be participatory, involving discussion and agreement between sector department managers and staff, with an aim to ensure ownership of the indicators and targets developed. Ministries, under the ROM initiative, have been trained in the identification of performance indicators for their institutions, including strategic objectives and outputs for different departments. The types of indicators developed by ministries are not classic service delivery outputs that are easily quantifiable, but are process outputs concerned with their mandates to develop policies and guidelines, and monitor and mentor service delivery. The Ministry of Works is an exception to this rule as it deals directly with service delivery, although this is soon to change with the formation of the Road Agency. There are also inconsistencies in the classification of indicators and results, with terminology used in ROM and OOB, such as 'Strategic Objectives' which should be aligned with 'sector outcomes'. A consistent terminology within sectors and their agencies would help avoid confusion of the different levels of results, and improve the linkage with the budget.

In ministries where donor projects are still a major source of funding, and the sector wide co-ordinating processes are weak, outputs chosen are usually more influenced by projects than by the sector priorities as identified in sector investment strategic plans. These are cases where the source funding is a major determinant of input use. It is considered sufficient that overall project goals are in tandem with those of sector plans.

The level of participation, and quality of ROM plans has depended on the interest of the leadership and managers in the concerned institutions. The ROM coordinator within each Ministry also plays an important role, but they can only be effective where the ministry's management is also interested. Where ROM appeared successful in the Ministry of Health, for example, there was strong ownership and management interest; however where it was not seen as a success, as in the Ministry of Finance, there was little interest from management.

### *Managing budget implementation*

The use of results in the managing the implementation of programmes can help ensure performance is on track, and if it is not, allow managers to identify problems and to take corrective action. Managers need tools to monitor the performance of departments and staff below them, and also to monitor the efficiency to which financial resources and other inputs are put. Managers at each appropriate level also need to understand and are committed to the results they are supposed to achieve (through a participatory planning process) and also must be allowed enough flexibility and latitude to make the necessary operational decisions to improve results. This not only means flexibility to adjust inputs to enhance the achievement of results, but also flexibility in adjusting planned outputs during the financial year, when unforeseen circumstances arise. For example, if heavy rains destroy key bridges, it makes good sense to divert resources from planned new road construction to the rebuilding bridges on existing roads.

There is wide agreement on the need for a certain amount of discretion to managers so they can make decisions and manage expenditures efficiently. However, it is feared that if discretion is provided it is likely to be abused, as there is inadequate monitoring of performance. This fear has often led to an autocratic style of management within the public service, where managers and staff react to orders from above, and are not delegated responsibility from superiors. Managers also often fear to make operational decisions without first gaining endorsement from their superiors and also fear to confront managers when they have different ideas and points of view. This leads to a general stifling of debate and innovation within agencies.

Ministries are allowed to make adjustments of up to 10% between line items within their budgets during the financial year, sums exceeding this figure, however, require MFPED approval. Despite this flexibility, interviews with senior ministry officials showed they had little real flexibility over the use of financial inputs, especially on the recurrent side. Operational recurrent budgets are often very small, allowing only limited real flexibility. Flexibility also largely depended on the extent to which responsibility was delegated by the permanent secretary. The use of donor project funds was fairly prescriptive; however GoU's use of counterpart funding tends to be less closely conditioned. However, the lack of strong monitoring mechanisms for the use of these funds, and the often unclear institutional positioning of large numbers of projects means that budgets are poorly oriented towards results and the flexibility actually results in the funds are used less, not more, efficiently.

The situation with both the recurrent and development budgets is exacerbated by cuts in disbursements against the budget that are often experienced by ministries during the financial year. Below budget outturns and uncertainty in the timing of disbursements were justifiably cited widely as seriously impacting the ability of agencies to deliver results. This undermines the ability of and incentive for managers to plan for activities in advance, as they do not know when or whether they will actually be able to carry the activities out. This also gives problems where there are counterpart funding requirements for the release of donor funds. For instance, the relative performances of sectors in the budget during the first half of 2001/2 saw some of the institutions in Public Administration over-spend their budgets whilst (non-PAF) Agriculture, Main Roads, as well as newly reformed sectors such as Justice Law and Order, consistently performed below budget, and therefore bore the brunt of reductions in expenditure due to resource shortfalls. For example, the road and works sector performed at 84% of its pro-rata budget. This was mainly due to shortfalls capital development releases of 85% in the budget as a whole. Although disbursements were not always regular, the commitment control system was acknowledged by some managers as a mechanism which assisted them in controlling expenditures and keeping them in line with established spending and work programmes.

The existence of multiple donor projects was becoming less of an issue in terms of results-based management in the ministries surveyed as more and more donor contributions are now channelled through the national budget. However, where donor projects do remain, it was conceded by managers that the planned outputs and targets were not necessarily those which were top of their or their sectors list of priorities. In the past, projects also strained or diverted scarce local staff resources in the past but in general staff are more and more able to concentrate on the core roles within ministries.

The variation in successful use of ROM practices during budget implementation can be further attributed to the keenness of the Permanent Secretary in each ministry. Their attendance and chairing of meetings with heads of department helped ensure they took matters seriously and undertook to report against annual performance plans, ensuring that decisions to improve performance are actually made and followed up. Basic management capacity and the actual freedom managers have to make decisions are also important factors in improved performance.

### *Management of Human Resources*

Ministry managers also have little control over the number and remuneration of staff as pay and structure is approved centrally by the Ministry of Public Service. In several instances, managers were dissatisfied with the level of staffing, stating that the government's earlier drive to reduce the size of civil service have left them with skeleton staff whose capacities are now stretched to the limit and whose remuneration has not improved to match the level of increased responsibility. On the whole, managers expressed satisfaction with the quality of the staff they had.

Seldom did managers feel the need to take disciplinary action over their performance; however when they did, they felt powerless to effect necessary staff changes (reshuffles, dismissals or demotions) for improved service delivery. The feeling of powerlessness stemmed from perceived political insulation of certain staff and/or pervasive cultural reluctance to ‘take the bull by the horns’ and be identified as the bringer of demise in a family of colleagues. In such situations managers have often resorted to working around staff they regard as ‘deadwood,’ while increasing workloads for performers. This inevitably creates a certain amount of resentment which the managers try to overcome through exercising discretion over who gets access to the limited staff perks within their power (field and international travel, training recommendations, attending seminars/workshops, and fuel rations).

The current confidential system of staff appraisals was a helpful tool sometimes in assessing staff performance. However, the usefulness relies on the honest evaluation of individuals, and it actually being taken to account in staffing decisions (promotions, etc). In most ministries, however, the system did not appear to influence staff management, due to the inflexibility observed. There was also a lack of feedback to individual staff on their own performance. A new more open staff performance appraisal approach is being promoted by MoPS which involves open discussions between individual staff and managers in which specific staff outputs are identified, and are then used to form a basis for periodic appraisal. This should facilitate the stronger linkage of staff performance to ministry performance plans and budgets; however, it will need a substantial shift in management practices to be successful.

On the whole, good performers will eventually be promoted more quickly than poor performers; however, political favouritism and cultural factors were mentioned as greatly affecting human resource management. Managers, although they have some influence, do not have the ability to promote (or demote) staff on the basis of merit alone. Personnel who are perceived to command political favour are normally immune from pressures to perform. Even when disciplinary action is statutorily required, cultural factors also often stand in the way of managers’ sanctioning of non-performing individuals.

There are few effective formal mechanisms available to managers to reward staff who excel in their duties in all the four sectors surveyed, which means that informal mechanism are used. Managers for reward staff through provision of training and travel opportunities which often carry with them financial incentives in the form of allowances. Special recognition of excelling staff by peers and managers was also regarded as an incentive to perform and is appreciated by staff, however it was acknowledged that managers rarely did praise staff for their work. Such non-financial rewards, which are effective management techniques need to be encouraged more.

## *The impact of pay reform*

There is acknowledgement that pay reform, however limited, has resulted in better pay packages for civil servants and improved morale. Nevertheless, it is unclear and probably impossible to quantify the difference this has made to performance. On the whole, government is unable to attract top calibre staff because salaries are not very attractive relative to the private sector, though they are better than they used to be. Basic pay for ministry staff is still very low with entry level technical staff earning around $150 a month, middle management earning $400 to $500 a month, rising to about $800 a month for top level managers. Although such wages are largely adequate for rural areas, they do not represent adequate remuneration in Kampala where most ministries are situated the cost of living is far higher.

**Box 11: Pay Reform and Results**

In the late 1990s the Uganda Revenue Authority increased staff remuneration significantly above that of civil servants in ministries to dissuade them from being compromised by would – be taxpayers and, hence, improve their effectiveness in revenue collection.

Revenue collections jumped up significantly in the first years of its implementation, but they have since stagnated at below 12% of GDP over the past few years.

The existence of the pay reform strategy, with clear targets, is important; however, without requisite political backing, there will remain insufficient resources allocated towards the achievement of these targets. The grounds for increasing remuneration for civil servants working in Kampala are very evident; nonetheless, the current policy remains for government to implement wage increases to all conventional civil servants, regardless of location, will remain. Also significant pay reform is unlikely get political support so long as domestic revenues remain depressed and there is no clear link between improved remuneration and performance.

## 4.3 Results and local government performance

### *The tension between the centre and local governments*

Tension is emerging between Uganda's highly decentralised local government system and the centrally driven SWAP processes. Sector service delivery targets have been established at the national level, which is not, in itself a problem. However, this has been combined with excessive and increasing control over inputs through a large number of tightly earmarked conditional grants. This is often evident from the side of the intended beneficiaries:

> *'.[villagers] indicated that they are not involved in creating policies or designing services that affect them. As a result the national-level agenda for poverty alleviation does not match village- level needs or expectations.'*[19]

At present, Local Governments therefore have to reconcile the need to achieve nationally defined targets with their own locally specific needs and priorities whilst having little room to manoeuvre to do so.

**Box 12: Hypothesis: Performance Management in Local Governments**

In a performance management context, the value of devolving decision making powers to local governments is that they are better able to allocate and manage resources more efficiently towards the achievement of pro – poor results because of their proximity to and knowledge of local situations.

The forthcoming pilot of the Fiscal Decentralisation Strategy will attempt to redress this balance. It aims to provide more autonomy to local authorities to make decisions in line with local priorities, by concurrently strengthening the results focus of all (sector) expenditures locally, and also reducing the number of earmarked grants and hence the prescription on inputs.

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[19] See Lenz (2002), 'Assessing the Impact of Uganda's Poverty Action Fund – A participatory rural appraisal in Kamuli District'

Here the use of results-based practices are examined throughout the local planning and budget cycle, and also from the allocation of funds between local governments at the centre, to the district administration and down to the units of service delivery. In the analysis, both positive and negative impacts of centre – local tension become apparent, as does the very practical value that performance management practices bring to service delivery.

There are wide variations in performance between our two district cases, Bushenyi and Iganga, despite those districts having very similar resource endowments. This is despite or perhaps because of the centre's largely futile efforts to control local governments by focusing on input rather than output conditions. The comparisons Iganga and Bushenyi districts show how leadership and management practices are very important in this respect, affecting the application results-based frameworks and ultimately budget efficiency and effectiveness.

### *Allocation of central grant funds between local governments*

Allocations for both recurrent and development conditional grants between local governments are either weighted according to sector service delivery levels, or the status poverty outcomes. In the education and water sectors, sector ministries use the status of sector indicators as a means of reducing the variation of service delivery levels between local governments. For example, a local government with a lower reported safe water coverage will receive a higher budget allocation than one which has a higher safe water coverage. Similarly, classroom construction allocations are based on the prevailing classroom to pupil ratio in a local government. The intention is for LGs with a lower status to allow worse of LG's to 'catch up', reducing the disparity of sector outputs within the country.

However, allocations solely on the basis of the status of an output/service level indicator actually create perverse incentives, which undermine rather than promote budget efficiency. For example, LG's receive higher grant allocations the worse the classroom to pupil ratio is. If a LG wants to maximise future revenues, it is its interest either to use the funds inefficiently, or to understate the stock of classroom, and overstate enrolment.

**Box 13: Local Government Planning and Budgeting Tools**

- **District Development Plan** – 3 year planning horizon, developed in bottom up participatory approach (LCII – LCV)
- **LG Budget Framework Paper –** comprehensive medium term budget framework for all LG funding, output oriented.
- **Results Oriented Management –** LGs identify indicators and targets, efforts mad to link with LGBFP process
- **PAF Workplans –** Requirement of annual activity based workplans to be prepared for each conditional grants, and letters of understanding between LGs and central Ministries.
- **Budget –** June – tends to be input focused. Bushenyi presented annual workplan with budget.

Justifying allocations in terms of outcome indicators avoids the perverse incentives to increase budget inefficiency, as the use of inputs does not directly effect outcomes. The agriculture and health sectors base their allocations between local governments on the cost of service delivery (factoring in area and population), however these allocations are also weighted by a proxy indicator for poverty, household consumption. This is good practice, however, ultimately it would be best to link allocations to sector outcomes – such as health allocations to morbidity, water and sanitation to child mortality, and agriculture to rural household incomes. Information on such indicators is often not available disaggregated by local government.

Most Local Governments also receive earmarked project funds from donors, and the use of those funds are tightly earmarked to specific areas of service delivery – projects are particularly prevalent in the Health and Water Sectors. Iganga received funding in Health and Water, whilst Bushenyi received Health Sector funding.

**Box 14: Differing Performance of Bushenyi and Iganga**

Bushenyi and Iganga Districts are similar in size, population. Both had similar sized budgets in 2002 (approximately US$10 million) with equivalent levels of grant funding from central government. However, despite this they are substantial differences in their performance, as institutions. Staff in Bushenyi appeared far more motivated. It appeared that better allocation decisions were also being made, and that the Bushenyi was able to play its administrative role effectively, supporting and even supplementing local service delivery with its own resources. Staff were in contrast de – motivated in Iganga and this fed through into poor decision making, lax budgeting practices, and wide disparities in the quality of service delivery.

We traced this disparities to the following factors:

- **Political Leadership –** the Bushenyi district leadership appeared concerned about district development issues, and also very up to speed on how the administration worked and what it was doing, and why it was doing it. The old political leadership in Iganga had systematically abused it's position, and interfered, and colluded with members of the administration. This had put the newly elected leader in a very difficult situation relative to the technical staff, who had already started to make allegations against him.
- **Management Skills –** The management style of Iganga's leaders was very closed, and even Heads of Department had limited access to the Chief Administrative Officer. In Bushenyi there was an open management system and noone feared to talk to their superiors, and managers were aware of the need rewards staff who performed with praise and other incentives.
- **Trust –** In Bushenyi their appeared to be substantial (almost unreal) trust between technical staff, managers and even politicians. Conversely in Iganga there was a severe breakdown in trust between the technical staff, management and the previous political leadership. This climate of mistrust had transferred itself to the new regime.
- **Local Revenue –** symptomatic of the breakdown of trust, and the nature of the political leadership which discouraged the populace to pay tax, Iganga district made no real attempt to collect local revenue. Bushenyi's local revenue collection was 10 times higher than Iganga, and Bushenyi's politicians were reaping the benefits from higher
- **Disbursement of Budget –** managers in Bushenyi were confident with regular disbursements of funds from the CAO – they were told when funds had been received and when to expect them. This provided incentives to plan and budget effectively. In Iganga district departments, especially those funded from local revenue saw no point in planning or budgeting, as they never received anywhere near their budgeted amounts from local revenue.

## *Development planning*

The development planning process is explicitly results-oriented, and local Governments set objectives, and identify outputs and activities to be carried out over the next three years. Although both districts had development plans, there was much more evidence of such use of results in planning going on in at lower levels in Bushenyi, where there were mission statements, and work plans with objectives and outputs plastered all over the walls of subcounty offices. In some cases, because of the limited capacity of lower local governments, districts resort to writing plans for them. In Bushenyi efforts had been made to make the plans, certainly in the near term realistic, ensuring planned activities are consistent with available resources. This was seen as an important factor, otherwise interest in the rolling planning framework tends to wane – if activities and outputs planned for do not occur, then the incentive to plan is undermined.

### *Resource projections in the BFP*

The total Budget for Bushenyi and Iganga were roughly equivalent at US$10 million. Overall Bushenyi and Iganga, have roughly similar transfers from central government, because they were similarly sized both geographically and in terms of population. Iganga as a relatively poor Local Governments also has access to the equalisation grant

However, there was a stark difference in the local revenue collection of Bushenyi and Iganga: Bushenyi had a local revenue of around US$800,000 in 2001/2, whilst Iganga's Local Revenue Collection was only $90,000, amounting to about 9% and 1% of their total budgets respectively. The political support for taxation in Bushenyi was very evident. The main supplement in discretionary financing to Local Revenues is the unconditional grant, which is allocated on the basis of population and land area and amounts to about 8% of central grant transfers. This means that nearly Bushenyi 17% of its budget available to implement on district level activities, whilst Iganga had only 9%. This brings to the fore the importance of local revenue, and central policies towards the funding of district management. Bushenyi was far more able to support service delivery effectively, as the district level administration had almost twice the operational budget than Iganga.

Under the BFP process, LG's make medium term revenue projections. Government grant ceilings are usually given, so this leaves them to make their own local revenue projections. In the BFP guidelines local authorities are encouraged to project local revenues on the basis of past performance, however in the case of Iganga this was not done. The bulk of local revenue and the unconditional grant are allocated towards district administrative costs, including wages and council allocations form part of this, however they are limited to 20% of the previous years Local Revenue collection. In order ensure administrative costs appeared covered, and provide an 'adequate' budget for councillors local revenue projections in Iganga were inflated. They were based on similarly overly optimistic outturns for the previous year. Political pressures thus overrode the need for realistic, evidence-based projections. This meant that, when it comes to budget implementation, the disbursements for locally funded activities were much lower than budgeted for, and in Iganga some Departments Received only 10% of their Budget allocations from local revenue.

### *Use of indicators and targets in expenditure planning*

The quality of the analysis behind and use of performance indicators has improved over time in the BFPs, and although the category of indicators may often be confused, many local governments identify a fairly comprehensive set of activity/output level targets, linked to resource allocations. As local governments are responsible for service delivery, output indicators are often more straightforward to measure and set targets. It is especially good in the PAF supported sectors, largely because of the greater support provided in planning in these sectors, and the existence of centrally identified output indicators and prescribed targets. Unlike for the central government budget process, explicit attempts by MFPED and MOPs have made attempts to link the BFP process to ROM planning, and there was less evidence of parallel processes than within central government.

In theory, the targets and activities identified in the LGBFP should be consistent with the annual PAF work plans and the first year of the three year rolling District Development Plan, however this is often not the case. Different individuals often prepare the different documents planned outputs, and the DDP may not take into account the availability of resources. Bushenyi is an exception, and had made explicit attempts to ensure that the District Development Plan was consistent with the

BFP. Also sector planning guidelines prepared by line ministries are inconsistent. A case in point is in the health sector where the MoH five year planning horizon for the LG Health Sector plans is different from the threeyear DDP. This inconsistency makes preparation of the health sector portion of the LGBFP and DDP more complicated than it otherwise should be.

In Bushenyi there appeared to be substantial ownership of the results-based processes; however, in both local authorities there appeared little practical knowledge of ROM below the higher levels of management. Bushenyi also had the innovation of presenting to council a comprehensive annual work plan with the budget, which directly linked planned activities to the budget allocations, creating a hard linkage between the LGBFP, PAF work plans, ROM and the Budget. The leadership felt that it was an important tool in ensuring that council knew the expected results from expenditures, and that there were realistic expectations within the district. Under the new Budget Guidelines for the FDS, the requirement of Comprehensive Annual Work plans to be prepared alongside the budget will be introduced and more strongly linked to the BFP. This will replace the requirement for separate work plans for PAF conditional grants.

The district directorates responsible for Health, Education and Roads appeared to have clearly set roles and responsibilities; however, these were translated into specific output targets. It was apparent that when sector ministries had developed good service delivery indicators, they were made use of in plans by local governments. This use of service delivery indicators tended to be better than when local governments were left to identify their own performance indicators.

In health there was evidence that performance had actually influenced budgeting decisions. A series of service deliver indicators are identified (e.g. records of outpatient attendance) although no explicit targets were associated with those indicators when grant allocations were made. Managers in Bushenyi and Iganga were able to point to how and why trends in service delivery indicators, such as outpatient attendance, had influenced budget allocations. For example the abolition of cost-sharing had resulted in a huge increase in outpatient attendance and that required a major increase in allocations for drugs. Both Bushenyi and Iganga had experienced a decline in immunisation rates; this then resulted in the allocation of additional resources to the immunisation effort.

Sector frontline service providers also were on the whole quite conversant with the results expected of them, even if they are not fully involved in decision making. Most schools and subcounties visited had mission statements and objectives. We saw in schools activity based workplans on the walls (not always current), alongside posters showing the roles of the head-teacher and other teachers.

The agriculture-specific indicators used were unclear, and varied from district to district, as the parent ministry had not yet prescribed many agricultural indicators. The sector is in transition from traditional research and extension techniques to a more demand driven approach under the Plan for Modernisation of Agriculture. The role of the production directorate in the district is less clearly defined as district officials tend not to understand their roles under the Plan for Modernisation of Agriculture. In the education and roads sectors output targets are largely defined by the level of central government grant funding – a certain size of the School Facilities Grant defines the target number of schools to be built as the unit cost is given.

### *Participation in decision making*

The Local Government Structure in Uganda provides opportunity for inclusive, participatory decision making processes, which in turn should provide opportunity for strong ownership of objectives and targets. Planning meetings at each level of local government, supported by the various sector committees, should provide for the full participation of lower local governments, politicians and civil society organisations in the identification of sector outputs and targets.

In practice, planning and budgeting decisions are largely concentrated at the district level, although there is some involvement of subcounties, and this translates into a lack of knowledge, and/or ownership of planned activities and set targets at lower levels. District officials cite capacity constraints at lower levels to plan, the expense of participatory processes and the conditional grant guidelines, which often concentrate decision making power at the district. However, probably the biggest reason for this concentration is the desire for district level politicians and administration staff to make decisions themselves rather than devolve responsibility to lower levels.

The participation in planning in different sectors varies, and is not always consistent and supportive of the political and administrative local government structures. The roads and health sectors tend to use the sub-district or county as the point of entry for planning. In health, the sub-district (county) is a planning and management unit in its own right, which means that planning tends to bypass the lower local government structure,[20] and hence horizontal accountability as there are no county level politicians. In education the subcounty is just used as a point for collection of application forms for classroom construction and the actual decisions are made at the district. Health-centres and schools tend to be where operational plans and budgets are proposed and approved. The lack of involvement of lower levels in sector decision making, especially in sectors such as health and education, undermines horizontal accountability, and delinking politicians from responsibility for the performance of sector programmes.

The only grant for which the decision making is explicitly bottom up, and does involve lower level politicians is the Local Development Grant, and there is evidence of this working. The grant is shared between different levels of local government. Lower local governments (subcounties and parishes) are given indicative planning figures and they identify specific investments to be carried out in the following financial year. In Mitooma subcounty in Bushenyi there were work plans all over the subcounty offices. It was clear that attempts have been made to institutionalise activity based planning at the lower levels there. Some staff were using it and seeing its value.

### *Flexibility and allocation decisions.*

Currently LG's have no flexibility in allocation from one conditional grant to another, and there is a creeping tendency for sector guidelines increasingly to limit the flexibility available within grant allocations. Although the allocation of grants may be linked to sector results, often the conditions within each conditional grants are tied to inputs as well, limiting the flexibility LGs have to plan even further.

For example, under roads the proportions of a grant that LG's must spend on periodic and routine maintenance of roads is fixed while there are specific percentages of education grants which must be spent on different inputs (e.g. instructional materials). Also staff numbers and remuneration are set and the payroll managed centrally for the health, education and agriculture sectors. These input conditions, however, restrict the flexibility managers have to improve service delivery performance.

Originally classroom completion of incomplete structures had been allowed in the education sector. This encouraged some districts, such as Bushenyi to innovate and improve efficiency by encouraging communities to part build structures, which would be completed by the district. However, many of the structures completed were of poor quality, and as a reaction the Ministry of

[20] There are elected politicians at district, and subcounty level.

Education banned classroom completion and recruited engineering assistants and posted them in every district.

A more suitable course of action would have been to put in place stronger systems within local governments for enforcing quality while targeting resources for supervision and technical assistance to poor performing districts. If this course of action is not followed, local initiatives to improve efficiency and accelerate the achievement of results are snuffed out. Similarly, in the heath sector, the Health Ministry is taking tighter control of health centre construction.

One of the main areas of flexibility ministries give local governments is the selection of locations for sector investments and activities. Although there are recommended procedures for say selecting schools to benefit from classroom construction, or selecting which communities should benefit from a new safe water point, in most sectors there does exist some flexibility. The exception is education and roads where if guidelines are followed there is little flexibility in the process; however, these procedures are effectively unenforceable, which means that there is scope for flexibility as well. Sector guidelines do tend to ignore the role of district and lower level politicians in the decision making process, and hence politicians will tend to exert their influence anyway. This is especially common in the roads and water sectors. In one subcounty in Iganga, there were two schools close to each other where one had several old classrooms, and two newly build classroom blocks, while the second school with no classrooms at all and children were learning under trees.

When discretionary funding is being allocated to district level departments during the budget process, those departments whose sectors have large conditional grant allocations from the centre, such as health and education, are often marginalised. This was especially the case in Iganga as there is low local revenue. When local revenue is very limited, politicians do not consider it a priority to provide additional funds, even if district departments have clearly defined roles and responsibilities that are not funded.[21]

This is often bad in the education sector where districts are not allowed to use grant funds for the department. For example, in Iganga the DEO’s office in 2001/2 had an operational budget of US$18,000 of which it received US$1,600 to supervise and inspect over 300 primary schools. The small size and uncertainty of funding for the DEO’s office in Iganga totally undermined any incentive for output based planning and budgeting for the directorates’ offices.

Bushenyi’s high local revenue base enables it to make realistic budget allocations, remunerate its politicians and staff well, and have sufficient money left over to fund the operational costs of district level activities. This provides incentives for the identification of activities and outputs ex-ante – because the activities are likely to be achieved. In Bushenyi the health and education departments had some of the highest allocations from local revenue (14% and 13% respectively). In education this amounted to an allocation of US$90,000 of which it received US$70,000, over sixty times more than Iganga.

This brings to the fore the importance of local revenue and central policies towards the funding of district management. Bushenyi was far more able to support service delivery effectively as the district level administration had almost twice the operational budget than Iganga. However, it does not just boil down to the availability of resources as the atmosphere of mistrust in Iganga’s administration appeared to undermine morale.

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[21] It is easy to see why councillors in Bushenyi were able to make relatively benevolent decisions – local revenue allocated to councillors’ emoluments was similar to the Education Department approximately $90,000 – the corresponding statutory maximum (20% of Local Revenue) for Iganga is $18,000 for the same number of politicians.

When given discretionary funds for investments, districts and lower local governments do tend to make sensible investment decisions. Evidence from the use of the local development grants shows that the bulk of funds are allocated to building of schools, health centres, and roads[22] which is consistent with central government priorities.

### *District management supporting local service delivery*

Although governed by the same legal and policy framework, service delivery was managed differently in Iganga and Bushenyi. This difference in management had a major bearing on their performance. District level management are supposed to support service delivery through mentoring, monitoring and supervision.

In Bushenyi, there was a generally open relationship between heads of department and the CAO and other managers, along with widespread trust between managers, staff and politicians. The district appeared proactive in its rule of administering and supervising lower local service delivery. The climate in Iganga was one of widespread mistrust between administrative staff within the district, while the previous political regime was held in open contempt. Staff appeared wary of new political leadership though optimistic that it might be an improvement. Heads of department had limited access to the CAO, who was relatively closed to them. In Iganga sector managers complained of political interference in decision making and operational decisions, which resulted in the deviation from established workplans and sub-optimal investment decisions. The Chief Administrative Officers, and Chief Finance Officers were not seen as approachable by heads of department. In Bushenyi department heads appeared freer to make operational decisions provided they were justified in the context of their work plans, and this was assisted by the relatively open management culture.

Management flexibility varied depending on the sector policy environment. For example, if a district follows policies and guidelines to the letter, the district education office has largely an administrative role. There is virtually no latitude for managers to make operational decisions on their own initiative. This goes from deciding where to build classrooms, to how many teachers to recruit for each school. However, in sectors like health and agriculture managers have quite a lot of latitude in making operational decisions – that is helped by the types of service and activity are diverse and the policies less prescriptive.

Service providers valued and appreciated their interactions with the district level staff in both districts. In schools and health centres, the district inspectors technical input helped them improve the technical quality of the services they were providing. This was seen as a vital supplement to the relationship with end users discussed below – and was useful whether the performance of a given school or health centre was good or bad. In Bitooma Primary School in Bushenyi, a poorly performing school with many problems, the deputy head teacher interviewed was very appreciative of the school inspectors' interventions to help smooth the relationship between the teachers and parents. Because of its problems, the inspector was able to visit the school almost on a weekly basis. Igangan schools were lucky if they received a visit once a year. The differences in the ability of Bushenyi and Iganga in being able to provide the mentoring support to service delivery units and to support the qualitative aspects of performance was very evident.

With operational funds of only $1800 to inspect three hundred schools in the 2001/2 financial year, it is no surprise that Iganga district inspectors were effectively paralysed and unable to provide any effective qualitative support to schools. District managers are therefore constrained in the decisions they could make to help support service delivery because of the limited resources available to them.

[22] Fiscal Decentralisation Study, 2001

This is worst for sectors which rely entirely from funding from the unconditional grant and local revenue, such as administrative departments, which include planning, internal audit, personnel. These all suffered from very low operational funds in Iganga. The Education Office suffers because districts are unable to use conditional grants for their operational costs. For the PAF sectors, the availability of funds largely depended on whether sectors' ministries actually allow for conditional grant funds to be used on district level activities.

### *Performance information and management decisions*

The use of performance information in management was most pervasive in the health sector in both Iganga and Bushenyi. Three key service delivery indicators were tracked using the Health Management Information System, of outpatient attendance, DPT3 immunisation, and deliveries in health centres. In Bushenyi also one could see charts for specific diseases, such as Malaria on the walls of lower level health units. Managers were also able to describe what changes in trends of indicators meant, and how they influenced service delivery. At the district level, there were key potential epidemic – diseases that were tracked so that quick responses can be made to prevent epidemics from developing.

**Box 15: The Relationship between Teachers and Parents**

According to teachers interviewed, money is not the biggest factor in their ability to achieve results, it is their relationship with parents. This was the case for both good performing and bad performing schools.

***Why?***
Teachers at poor performing schools mentioned that parents abused them in front of the pupils, meaning that pupils no longer respected. Parents therefore were unwilling to contribute to the running of the school.

Teachers at good schools mentioned the constructive contributions (some of which was financial) that parents made to the running of the school, their responsiveness to suggestions by teachers, and the appreciation they got from parents.

***Lessons?***
The major lesson is that non financial factors, in are just important as financial factors in the achievement of results. Involvement of the end users in service delivery, promotion of good management practices, transparency and openness s in service delivery, which do not necessarily have a direct financial cost are equally important in delivering services.

At the school level, indicators such as exam results provided a great incentive to perform. The number of Grade 1 students in the Primary Leaving Exams was always cited as an achievement. However, at the district education offices, the use of indicators such as exam results in managing their activities and targeting technical support was not evident.

In the roads sector the implementation was carried out at the district level. County level road inspectors are supposed to collect regular information on the condition and usage of roads, using a road card system, to enable prioritisation of road maintenance activities. This is often not operational within local governments because it takes a lot of effort to maintain and because decisions on which roads to maintain are often politically rather than performance motivated.

Agriculture appeared to have the weakest use of results, and there was almost no evidence of performance indicators being used to make operational decisions, largely because few existed in the first place.

### *The end user*

Of primary importance is the relationship between front-line service providers with the end user of the service. In schools, when asked what was the factor which most affected a schools performance, teachers interviewed almost unanimously stated that it was their relationship with the parents of pupils. School Management Committees and Parent Teachers Associations were seen as important fora for making operational decisions on the running of schools, jointly with parents. This also enabled realistic expectations between staff and end users.

The perceptions of local communities and local circumstances can dictate a different mix of service delivery from what was planned. Centrally defined roles, responsibilities, and structure of service delivery, combined with these local perceptions, can actually result in inappropriate services being delivered. This was the case in the health sector where the community's perception of health services in the health sector was considered of high importance, to health workers. However according to central policy health units are supposed to engage in preventative as well curative activities.

The need for good community relations, alongside inadequate staffing levels led to a bias towards curative services, and few preventative activities take place. Why was this the case? The staff providing curative services in health centres are also supposed to provide preventative health services, which involve community mobilisation and educational activities. When they fall ill and go to a health centre, members of the public expect to be treated. Community relations are likely to be undermined if patients regularly find no one to treat them at the health centres, even if staff are in the field carrying out preventative activities. However, few members of the public are likely to complain if they have not been taught good sanitation practices or been mobilised for immunisation. Outputs relating to preventative health services are therefore given less of a priority by health workers, which affecting results. This has been exacerbated by the surge in outpatient attendance which followed the abolition of cost sharing. It is difficult to see how this can be avoided given the current institutional structure for service delivery which is prescribed by the Ministry of Health. Without dividing the institutional roles for preventative and curative services, preventative services will always suffer due to community demands. Preventative healthcare could become the responsibility of subcounties.

In the agriculture sector, it is difficult for extension workers to develop relationships with end users as the relationship with farmers is sporadic. This is soon to change with the implementation of the PMA and the formation of farmers fora at the subcounty level and below. Under the new National Agriculture Advisory Services these fora will be responsible for selecting the services they benefit from. However, current extension officers will be retrenched and all advisory services will be provided by the private sector, albeit contracts will be managed by the subcounty, and supported by these farmers' forums. There will be no full-time agriculture staff at the subcounty and, accordingly, it will still be difficult for end users to develop a relationship with the service providers. The link between the district and end users in the Roads sector are roads committees, which are made up of local communities and monitor the condition and use of the report, liasing with the district works departments.

From the perspective of the end beneficiaries, it appears from participatory research that households feel remote from local government service delivery and are not involved in decision making:[23] It therefore appears that both beneficiaries and those involved in service delivery see communication and collaboration as very important but the mechanisms used are not always effective.

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[23] See Lenz (2002) 'Assessing the Impact of Uganda's Poverty Action Fund – A participatory rural appraisal in Kamuli District'

## *Personnel management*

A local government is responsible for all recruitment and appointment of staff; however the Ministry of Public Service still manages the payroll for teachers, health workers. Thus, in principle local governments have more control over the hiring, promotion, and demotion of staff than central agencies.

In practice, the management of personnel often suffers from the same rigidities in local government as central government. Despite its political problems, incidence of corruption, and general poor performance, Iganga had not dismissed a member of the administration staff for a long time. The District Service Commission, which is responsible for the recruitment and disciplining of staff, feared to sack staff because of their political connections and fear for their own positions as they were appointed by the council themselves. In the education sector poor performing teachers were rarely dismissed, they would just be moved from one school to another.

Although pay scales for local government staff are the same as that for central government, pay appeared to be less of an issue in the two districts studied than the centre because the cost of living in rural areas is much lower than Kampala. Again, the main rewards available to managers to give staff were allowances and training. Bushenyi managed to fund a car loan scheme for its managerial staff, which was appreciated by all and considered a big incentive to perform.

As with central government there are few formal mechanisms for rewarding good staff performance although this was less important for LG staff. District staff and service providers interviewed were not demanding financial incentives, instead mentioned the importance of being recognised for their good work, both privately and publicly by the district and their managers being an important incentive to perform. However, staff did complain about limited scope for promotion and career development within a district administration. In the education sector, there was a prize giving system, where schools which performed well in different areas (school environment, financial accountability) were given small cash prizes, and most importantly prestige. This provided an important incentive for staff to perform.

In the health sector the morale of staff appeared to be generally lower than in the other sectors. This can be traced back to the abolition of cost sharing, where patients were required to pay for health services. In Iganga health centres retained half the funds collected and this was distributed to staff. This was a means of providing strong incentives for quality service delivery – patients would only pay at health centres if they perceived the quality of services was good and the better the quality of service, the more patients would come. Health workers therefore had a direct incentive to provide quality services, as it improved their welfare as well as the patients – this incentive has been wiped out by one change in policy. Although there has been some compensation for the increase in outpatient attendance in terms of increased allocations to health centre operational inputs such as drugs, the staff have not been compensated – their morale has been dampened twofold – by the increase in workload and the reduction in monetary income.

# Chapter 5: Measuring and Monitoring Performance

## 5.1 Why monitor performance?

In the previous chapters we have examined the use of results in planning, budgeting and implementation within agencies; however, all these rely on systems which generate information on performance and verify that results are being achieved. A government needs to know whether it is achieving its objectives, and if it is not, then to be able to identify the point at which performance is breaking down.

**Box 16: Hypothesis – Performance Monitoring**

A key element in the success or failure of results-based approaches is the ability of a government to produce of reliable timely and consistent data on results at each stage of the performance chain, whether this is information on inputs, activities, outputs or outcomes.

The production of reliable timely and consistent data on results at each stage of the performance chain is fundamental to performance management.

Regular measuring and monitoring the achievement of results should provide information to government which enables it to improve decision making at every level, and identify actions which enhance the impact, effectiveness, efficiency and economy of public sector programmes.

Uganda's Poverty Monitoring Strategy[24] recognises the need for the provision of performance information when monitoring PEAP implementation:

- The system should produce information that is policy-relevant, reliable and timely
- The monitoring system should be integrated with the policy process
- The system must have effective mechanisms for providing M & E information to the different users ranging from policymakers, service providers and beneficiaries

Here we examine the systems for measurement, collection of information and reporting on performance. We also examine whether they actually do improve decision making, thus strengthening the efficiency and effectiveness of public programmes. There are three main elements to this: the monitoring and reporting of budget outputs; the external verification of budgeted outputs, through audit, civil society and politicians; and the monitoring of the impact of public programmes (poverty monitoring).

## 5.2 Monitoring, reporting on and reviewing budget performance

In Uganda, there is a plethora of mechanisms pertaining to measure, monitor review and verify the performance of public sector programmes and projects in terms of efficiency. Many of these mechanisms have been born from the accountability requirements of donor funded projects and programmes. This external point of origin has led to problems in terms of lines of accountability and the fragmentation of GoU reporting and accountability with both financial and output reporting being for the use by, and the interests of various donors, and not government bodies such as the Ministry of Finance, and Parliament and the public.

[24] Ministry of Finance (2002)

Only since the late 1990's has GoU through the introduction of SWAPs and the PAF, tried to set up its own mechanisms for performance monitoring. It can be argued that the initial drive for accountability was from donors, when donor support began to be channelled through GoU's own systems. However, over time the drive for comprehensive and streamlined modalities for reporting has increasingly come from within government, especially from the MFPED and the Office of the Prime Minister. The motivation for this drive stems increasingly from the need for streamlined coordinated monitoring and evaluation systems, as the proliferation of mechanisms has become increasingly unmanageable, and the need for institutions to be held to account in terms of performance.

**Table 7: Monitoring Budget Implementation and Poverty**

| | **Monitoring Budget Implementation**<br>***Efficiency & Economy of Public Spending*** | **Poverty Monitoring**<br>***Effectiveness & Impact of Public Policies*** |
|---|---|---|
| **Overall** | • Explicit output reporting for LGs under the PAF, however there is a proliferation of reporting systems in local governments<br>• Specific funds available to central and local governments for monitoring<br>• Lack of reporting on results with central agencies, where the focus is financial<br>• PAF helped created a culture of budget reporting by sectors.<br>• The comprehensive national budget performance report is an opportunity to embed the culture of reporting created by PAF in the whole budget.<br>• Sector review processes effective fora for reviewing budget performance and translating this into decisions and actions. | • Poverty monitoring strategy sets out core outcome indicators.<br>• Poverty Monitoring Unit in the MFPED carries out analysis of the impact of public policies.<br>• Unclear classification or results blurs the distinction between analysing the efficiency and effectiveness of programmes.<br>• Linking the analysis of public policies to poverty impact is therefore not always carried out.<br>• There is still a disjoint between poverty monitoring and the decision making processes, both at the sector and budget levels.<br>• PMAU is not yet perceived as a mainstream function of government |
| **Education** | • Carries out routine monitoring for UPE, but inadequate staff => contracted out firm to monitor SFG;<br>• Weak monitoring of Central Gov't Institutions<br>• Use of Information in decision making:<br>• Additional allocations for best SFG performers<br>• MoES published league tables on SFG Performance<br>• Lack of targeting on the basis of qualitative indicators such as exam results<br>• service delivery indicators and grant Allocation decisions | • Sector literature does not identify Intermediate outcome indicators, Poverty Monitoring strategy identifies some – e.g. PLE pass rate, retention rate, adult literacy<br>• Info presented in Poverty Status Report, PEAP progress report & UPPAP<br>• Use of Impact information in decisions:<br>- Need to link outputs to sector outcomes<br>- Educational quality increasingly important<br>- Where is institutional focus for analysis & debate?? |

| Table 7: Monitoring Budget Implementation and Poverty | | |
|---|---|---|
| | **Monitoring Budget Implementation**<br>***Efficiency & Economy of Public Spending*** | **Poverty Monitoring**<br>***Effectiveness & Impact of Public Policies*** |
| **Health Sector** | • HMIS/PAF reporting generates information on service delivery and disease incidence<br>• Routine monitoring led by Planning Department, but lack of coordination with technical support provided by line departments<br>• Inadequate monitoring of central agencies<br>• Use of information in decision making<br>• Some evidence of targeting technical support (immunisation)<br>• Otherwise unclear how info used at centre | • Clear Intermediate outcome indicators. PMS indicators consistent with sector. Poverty status report, PEAP progress report Major sources: Household survey, demographic & health survey<br>• Use of Information in decision making – seeds for the future:<br>• Health Policy Analysis Unit & Uganda Health Bulletin important opportunity<br>• Poverty sensitive allocation formulae<br>• Analysis from Poverty Monitoring Unit on Child mortality |

Here we concentrate upon the Government systems that have evolved since 1997. While in Uganda the focus when budgeting is the sector, the focus of the accounting system is instead upon individual votes/institutions. We examine the results-orientation of mechanisms for agencies, then by sector, and then for the budget as a whole. Table 8 below sets out the main government mechanisms for measuring, monitoring and reviewing budget performance.

## *Budget reporting*

Budget reporting serves two main purposes: the accounting for public expenditures and provision of information on performance for use in decisions by implementers, managers and politicians. Prior to formation of the PAF, government systems focused on financial accountability alone. The only reporting on results was on projects and the accountability tended to be fragmented and directed towards donors, not government. The systematic measurement of activities and outputs of institutions from government expenditures using reporting systems was first introduced under the 'PAF Reporting & Monitoring for Local Governments' in 2000 which has since promoted a performance reporting culture at that level. However, the government has been far less successful in applying results-based budget reporting for central agencies.

### Budget reporting by central agencies

There is limited formal internal reporting on performance within central agencies against established (ROM) annual performance plans. The type of reporting and frequency very much depends on the leadership within the ministry. Those institutions which undertook the ROM planning exercise more seriously, such as the Ministry of Health, also found it useful as a basis for internal reporting and for the taking of management decisions. The focus of reporting has instead, largely been between ministries and the Ministry of Finance and/or the Office of the Prime Minister. This means that sector ministries in particular are not necessarily focusing on the activities required to achieve the results planned and budgeted for in advance.

Similarly, there is no functional system of performance reporting for central agencies to the Ministry of Finance or any other cross cutting institution. The only successful system of budget reporting has been the commitment control system where central government votes are required to report monthly on all expenditures and outstanding commitments against disbursements, cash flow limits and the budget. The motivation behind the introduction of the system was the need to prevent the accumulation of arrears and enhance expenditure discipline. It has been successful in this aim; however, there is no reporting on results in the system. A parallel initiative introduced performance reporting in 2000, spearheaded by the Office of the Prime Minister supported by MFPED. The Prime Minister was concerned of the lack of information on the performance of development projects and the observed focus of accountability towards donors (who were naturally happy with this). The project monitoring system, which required all central projects to report on results achieved, failed to take off effectively largely because budget disbursements were not linked to compliance and the system was over-elaborate. Firstly, the preparation of reports required a lot of effort for project managers and secondly, there was no penalty for non-compliance and it was seen as an extra burden on top of existing requirements, not a useful management tool. The small number of staff involved in its implementation within OPM and MFPED combined with the huge number of projects meant that there was difficulty in convincing project managers, accounting officers and sectors that it was in their interest to comply.

**Budget reporting by local governments**

The nature of internal reporting within local governments was largely dependent on the rules of the sector, and the quality of reporting, on the leadership within the sector department. Although internal reporting was evident within sector departments in the two districts, it was often not systematic, and varied from sector to sector. This is largely to do with the fact that central policy has focused on the reporting between districts and sector ministries, and not on reporting and management systems within local governments. Districts were also required to put up public notices of the funds they have received and expenditures they make, however apart from in schools, there was little of this in evidence.

There appeared to be little reporting on use of funds by schools to the district and subcounty administrations, and where it did exist the reporting was directly to the district, bypassing the subcounty. Regular meetings between staff and parents in school management committees were more important than accounting to the district. It was the opposite in the agriculture sector, where there was some structured reporting, however sub-county agricultural officers tend to report directly to the district production office rather than the sub-county chief (the technical head of the subcounty), undermining horizontal accountability. In the health sector there was the most structured system of reporting in both financial terms, and in terms of service delivery performance, under the Health Management Information System.[25]

In both Bushenyi and Iganga, heads of department prepare quarterly PAF reports, which give information on activities and expenditures against the annual workplan. These are submitted to the CAO, for onward submission to sector ministries, in fulfilment of the requirement for accessing disbursements under PAF, and this means that they do not always cover all sector activities. Although these reports are a requirement for the centre, they provide a tool for heads of department and the CAO to track performance. These reports help the CAO approve payments, because it becomes easier to verify whether activities have been previously budgeted and/or taken place. Districts are also encouraged to present their reports to the Executive Committee of the Council, however this was not always done, and horizontal accountability is relatively weak. As the number of PAF conditional grants has increased, so has the number of reports, and this has contributed towards an increased administrative burden on local governments. Also ministries developing the reporting formats have often required information on performance in unnecessary detail, whilst they have not developed the capacity or tools to analyse the information in those reports, or monitor implementation.

[25] We saw little evidence of the Education Management Information System being used.

Given that PAF does not represent all of a local government funding for sectors, local government sector departments and ministries are unable to track all activities and outputs in the sector using this reporting mechanism. For example, the only money being spent on the opening of new roads in local governments is from the local development grant, however local governments are not required to report on results from this grant, and therefore the ministry of Works has no idea how many new rural roads have been built, or their quality and location.

Conversely local governments are required to prepare monthly financial statements on all expenditures to the Executive Committee. This only became operational once the Ministry of Finance imposed a requirement that monthly reports on expenditures relative to revenues be submitted to central government. Such reporting is important for tracking inputs; however, here we are concerned with linking the reporting of inputs to the achievement of results, and hence verifying whether funds are being expended efficiently.

In future, under the Fiscal Decentralisation Strategy, there will be comprehensive reporting for all outputs and expenditures incurred by local governments. There will be no separate reporting for different sources of funding, such as conditional grants. This will also be linked to an internal system of reporting on results, based on workplans.

## *Monitoring and assessing agency performance*

Over the past few years, government has been a lot more proactive in its monitoring of performance, and regular supervision and inspection of service delivery is common. There are several layers to the monitoring process, and this involves internal and external evaluation of service delivery and administrative functions. The formation of PAF and the setting aside of 5% of PAF funds for activities which enhance monitoring and accountability, has helped towards this, however PAF has helped skew the focus towards local governments and away from central ministries.

### Monitoring of central agencies

In practice there is little technical or performance monitoring or assessment of individual central ministries. The Treasury Inspectorate does conduct financial monitoring, but that is effectively limited to verifying compliance to the commitment control system. There may be monitoring and evaluation of individual projects, however this tends to be done by donors, rather than government. The Office of the Prime Minister would like to monitor and evaluate ministry performance; however, it is unable to do this, given the small size of its monitoring division, and the lack of compliance to its monitoring system.

### Monitoring of local governments

There has been more success in the establishment of systems for the monitoring local governments are more elaborate, and these systems have been better resourced. There are two main elements – the monitoring of local governments, and the national assessment of local government administrations.

The first layer of monitoring is where districts and municipalities examine of their own investments and service delivery, which involves both technical staff district/municipality councillors. Guidelines state that this should involve the systematic verification of the results reported on in quarterly PAF reports, however the nature of this monitoring depends on the district leadership. It can, and often does degenerate into the distribution of allowances to the staff, without much monitoring taking place.[26] However Bushenyi showed how monitoring can work. The district planning unit prepared checklists for all monitoring teams, and no allowances, even to politicians, were handed out until the monitoring had taken place and reports had been completed. District level monitoring thus enabled information on performance throughout the district to be collected and/or verified, helped identify problems in implementation, and, importantly, built trust between implementers, managers and politicians.

Central ministries are also supposed to monitor local government implementation of sector programmes, however, the process is again often not systematic, and sometimes used as an excuse for distributing allowances. Often the ministries do adequate staff, or technical capacity to monitor. In the case of the Ministry of Education, they contracted out the monitoring of the schools' facilities grant to a private firm, however it was not clear that even the private firm had any more capacity to monitor local governments than the ministry itself. Without systematic follow up from central ministries, and verification of information in PAF reports, local governments have begun to realise that it makes little difference whether they fill in reports accurately or not. The reporting system has, in some cases, degenerated into a process of 'paper for money' – if a local government produces a report, it will receive funds, no matter what is in it.

**Box 17: The Political Cost of Failing to Perform in Mubende District**

Several subcounties failed to reach the minimum standards in the internal assessment of the administrative capacity of subcounties, conducted by Mubende District Administration. This means that these subcounties were not able to access the local development grant in the following year.

This was widely publicised within the district, and the public did not like it. In the 2001 local government elections, all those leaders of subcounty councils who presided over failing subcounties were voted out of office. Incentive enough to perform?

A more structured system is the national assessment of local government administrations, currently being carried out under the Local Government Development Programme. This assessment scores the performance of local governments, including lower levels, in terms of administrative performance with respect to legal provisions, and technical capacity in key administration areas. The process starts with an internal assessment, where local governments assess the performance of their own local governments. Then teams from central government, coordinated by the Ministry of Local Government, assess the performance of district and administrative capacity, and verify the scores from the internal assessment in lower local governments.

### *Combining monitoring with institutional incentives*

Uganda is beginning to build incentives into the central grant systems, through rewarding good institutional and service delivery performance. This is the most important element behind the national local government assessment. The implications of performing poorly are clear, as *ex ante* minimum requirements for accessing the local development grant are set. If a local government does not meet these requirements, they will not receive funds. The best performing local governments, in the assessment, get a 10% higher grant allocation, whilst the worst either get a lower allocation, or do not access the grant at all.

The incentive framework around the local development grant has proved a strong fillip for local governments to get their administrative function in order. They have improved their performance in terms of planning and financial management directly because of the need to fulfil assessment

[26] The allowances for five day's monitoring is the equivalent of more than one month's salary for an economist of finance officer.

requirements. It has strengthened horizontal and vertical accountability, ensuring that politicians demand a certain level of administrative performance for their administration, and the public from their subcounty, as the above box about Mubende District shows.

Some argue that it is always the poorer districts that lose out in such arrangements, but this is not the experience under LGDP – many local authorities in poor areas do well in the national assessment, and many relatively wealthy authorities do badly. There is little correlation.

However, there has been concern that the assessment process is little more than a box ticking exercise, and that, as with all monitoring activities by central agencies, those conducting the assessment, even if from the private sector, are open to rent seeking activities. Also the assessment process provides incentives to improve administrative performance, and does not explicitly provide incentives to promote efficiency and effectiveness in service delivery.

It is now proposed that the principles of the LGDP national assessment process be applied more widely to the assessment of sector performance, and not just administrative performance. Under the implementation of the FDS, sector grant allocations will be linked to service delivery performance within sectors themselves, and scoring systems for assessing service delivery will be developed.

This is already happening in the classroom construction programme, although the process appears less systematic. The Ministry of Education provides in year increases in allocations to those Local Government's which perform well in terms of efficiency. However the criteria for assessing good performance are less clear to local governments and so the incentives to perform is weaker. Under a broader system of incentives, these criteria need to be explicit, and the credibility of the assessment process must be maintained.

### *Reviewing sector and budget performance*

Although the focus for accountability of inputs and outputs, and comparative budget efficiency should be on an institutional basis, performance needs to be examined in aggregate, in terms of both sectors and the budget as a whole. The development of SWAPs alongside the PAF introduced regular reporting on and review of sector performance. Both the sector reviews, and the PAF review meetings have been successful in promoting the open discussion of sector performance, the holding of sector institutions to account on the basis of their performance, and also better decision-making. Sector reviews, in particular, have become increasingly important, and should be seen as opportunities for future improving the application of results base frameworks, and the orientation of sector policies towards the achievement of results.

#### The PAF

In 1998 the PAF introduced the requirement for sectors to report quarterly on the implementation of PAF programmes within their sector, and these reports were discussed at open PAF Quarterly review meetings. For the first time, sectors were required to justify their expenditures in terms of output performance, in front of civil society representatives, donors and NGOs, as well as there peers from within government. Government was given credit for the openness in which it discussed performance, and this helped enhance trust between itself, donors, and civil society.

However, as time progressed concerns were raised about the lack of decisions made and action to correct problems identified, and it became evident that the PAF review forum was not effective for sector decision-making and delivering cross-cutting change. The focus of PAF on only part of the budget also meant that the majority of the budget was not being put under enough scrutiny, and the feeling grew that the same rules for reporting and accountability should be applied throughout government. The PAF review process has now been subsumed budget-wide reporting and review, and sector reviews are becoming stronger.

**Sector reporting and reviews**

Sectors, under their SWAPs, have developed their own reporting and review mechanism (quarterly, biannual, or annual). There is a common principle of reporting regularly on sector performance. Sector reports are examined in detail at sector review meetings, and there is broad stakeholder involvement. The Education and Health Sectors have biannual reviews, with stakeholder large conferences, whilst the Roads and Agriculture have smaller steering committees, which meet more often. These sector reviews often put reports under a lot more scrutiny than the PAF meetings, as performance is assessed against benchmarks, agreed at previous reviews with stakeholders.

The disbursement of donor funds is often tied to the achievement of agreed sector performance benchmarks. These may be in terms of service delivery outputs, or process benchmarks. In education, for instance, the sector focus has been narrowed to three key targets in the sector BFP: (1) pupil to teacher ratio, (2) classroom to teacher ratio and (3) pupil to textbook ratio. The equivalent key targeted outputs in the health sector are: outpatient utilisation, immunisation (DPT3) coverage, deliveries supervised by trained health workers and, approved posts filled by trained health workers. These service delivery targets are supplemented by process benchmarks tend to be policy reforms, and changes in and application of guidelines and procedures (largely the product of activities carried out by the line ministries) that need to be achieved.

Sectors also need to track the performance of sector outcomes, as the linkage between inputs outputs and sector outcomes reflects the effectiveness of programmes. The key education sector targets remain largely input and output-based with few intermediate outcomes reflecting the quality of education supplied, and the demand for education from the beneficiaries. It is, for example difficult to assess the effect of the high priority classroom construction has had over text books. The Education sector needs to look more at indicators such as exam results, repetition, completion and exam results. Without attempts to link inputs and outputs to such intermediate outcomes in the review process, it is difficult to analyse the appropriateness and quality of chosen policies and programmes, and the associated outputs.

However, there have been problems, as the processes have evolved. Discussions on sector performance are not always linked to inputs, and budgeted amounts. The issues of budget effectiveness and efficiency is often not at the forefront of sector reviews. This means that the recommended solutions to observed poor performance can often be additional funding, when it maybe inefficiencies in the use of inputs. Where budget inefficiencies are observed the blame is often placed on poor financial management, and the solutions are similarly biased. Albeit important, this paper shows that it is not the only area where interventions will improve efficiency, not just the strengthening of financial management systems.

Sector reviews have often ended up making decisions that are either not within their mandates, or contrary to the legal framework. For example, in 2001 the education sector resolved that all local governments should submit their final accounts by a certain date – otherwise the donors threatened to pull out. This reflected the fact that there are inadequate fora for making cross-cutting decisions. Similarly sectors are making decisions to re-centralise aspects of service delivery, on the basis of poor performance. For instance, the Education Sector has recruited and posted engineering assistants to all districts to help improve the quality of classroom construction, and posted tutors in all subcounties to help with on the job training of teachers. Although they may appear sensible, both these decisions muddle the accountability for results – as ministry staff become involved in the delivery of services that are the responsibility of local governments.

These problems are to do with two specific element of the performance management cycle – how to interpret sector performance information, and how to make appropriate decisions on the basis of this interpretation. They are not problems with performance measurement or budget reporting.

**PRSC matrix and steering committee meetings**

The mechanisms for reporting and review behind the Poverty Reduction Support Credit (PRSC) are becoming important in delivering more coherent and strategic public sector reforms. Disbursements of the Poverty Reduction Support Credit, which is the World Bank's Discretionary Budget Support to Uganda is linked to the performance of key government administrative reforms.

A Policy Matrix sets out the planned processes and outputs over the medium term, in areas such as public service reform, procurement, financial management, audit and decentralisation. The matrix is updated twice a year, and performance against the planned outputs and benchmarks reviewed by a PRSC Steering Committee, which is chaired by the Head of the Public Service, and made up of Permanent Secretaries, and key donor representatives. At these meetings future outputs are agreed between government and donors, as are the benchmarks to be realised before the next disbursement of the loan.

Although initially it was just an amalgamation of ongoing reforms, the Matrix is evolving into an effective way of more strategically planning for and monitoring the cross-cutting reform process, and the key administrative outputs of central government. Initially, the matrix was viewed as an instrument for donor conditionality; however, it is increasingly being seen as an mechanism for government which can assist in the planning for and monitoring of progress in administrative reforms. The process is becoming increasingly government led and owned, and the movement of the chair from the Ministry of Finance to the Head of Public Service, was important in this respect. It also helps focus the debate between donors and government.

**Budget performance reporting and review**

The budget performance report is now the main instrument for reporting on budget-wide performance, and the Public Expenditure Review for examining budget performance. The Budget Performance Report is produced quarterly, and has replaced the PAF quarterly reports since the beginning of 2002. However the Budget Performance report has thus far has focused on sector financial performance only. This is because the Ministry of Finance, Planning & Economic Development has not yet required the sectors to report on results – the combined PAF quarterly report prepared by the Ministry of Finance was able contain performance information as it was an amalgamation of sector PAF reports. Without a regular system of budget reporting by sectors to the Ministry of Finance for all sectors within the budget, the focus of the Budget Performance Report cannot be results-oriented, and there can be no comparison of budget efficiency and performance across sectors. The move to a comprehensive Budget Performance Report will actually be a backwards step in the application of results-based frameworks in the budget as a whole, unless this is revitalised.

The Public Expenditure Review Meeting is a major event in the budget cycle, and this usually takes place in May, and serves a dual purpose of reviewing budget performance, and the proposed medium term budget allocations in the BFP for the forthcoming budget. In the past the PAF quarterly meeting has been part of the PER, however without adequate output reporting from sectors, it is difficult to see how the Budget Performance Report will be able to focus the discussion of whether the results of Government Expenditure are on track in terms of achievement of PEAP targets.

**Table 8: Reporting, Monitoring and Review Budget Performance**

| | Instruments | Pros & Cons |
|---|---|---|
| **Local Government** | **Monthly Accountability Statements –** comprehensive report, setting out cumulative and monthly expenditures for a District/Municipality against revenue received and budget amounts by source (local revenue, central grants and donor funds) | • Information on finances only no results.<br>• No element of commitment control.<br>• These provide a simple consolidated set of information on expenditures by sector and in aggregate.<br>• Lack of capacity within MFPED to analyse expenditure data – data only compiled in aggregate and not by revenue source, therefore sector expenditures can't be analysed.<br>• Accuracy of data questionable as little of follow up.<br>• Reporting not linked to disbursements and therefore submission of reports irregular. |
| | **PAF Quarterly Reports –** prepared for each PAF conditional grant by LGs & submitted to line ministries. Link reporting on activities and outputs against expenditures. Disbursement of funds conditional on submission or reports. | • Links reporting on activities and outputs to expenditures.<br>• Culture of reporting on performance established in LGs.<br>• Proliferation of reports, with LGs required to prepare and submit 30 reports each quarter.<br>• Sector ministries do not adequately analyse reports, and do not have the capacity to follow up on those reports.<br>• System focuses on reporting between LG and central government, whilst lack of systems within LGs to generate performance information.<br>• LGs have no incentive to ensure accuracy of information (lack of follow up by central government). |
| | **LG Performance Minimum Conditions and Performance Assessments –** under the LGDP all Districts and Municipalities are assessed in terms of their compliance to the provisions of the Local Government Act, in areas such as financial management, planning, audit, engineering capacity. Two assessments are carried out – one assesses LGs on whether they meet a series of minimum conditions which allows them to access the Local Development Grant, and another which assesses their performance, and whether they qualify for a reward or penalty (in the form of a 10% increase/decrease in the grant) | • These solely assess LGs governments' performance in terms of process outputs, and not in terms of service delivery performance.<br>• There is a strong incentive framework for LGs to perform, in terms of improving their planning, financial management and audit capacity. The penalties for poor performance are clear.<br>• Scoring in the assessment process allows an increase in the passmark over time, to keep pressure on LGs to improve performance.<br>• Assessment process helps LGs identify their own strengths and weaknesses and address them.<br>• It is difficult to assess the quality of outputs in the assessment process. |

**Table 8: Reporting, Monitoring and Review Budget Performance**

| | | |
|---|---|---|
| | • **Monitoring of Local Governments –** central and local government agencies are provided with funds from PAF to monitor performance in PAF programmes. Sector Ministries and accountability institutions at central government carry out regular visits to LGs. | • Unsystematic nature of monitoring by central agencies, with no clear<br>• A lot of overlap – line agencies monitor financial management and planning, whilst accountability agencies monitor sector outputs.<br>• A lack of follow up on monitoring activities by central agencies |
| **Central Agency** | • **Monthly Commitment Control Forms –** all central agencies submit forms to MFPED, which describe expenditures and commitments against disbursements. Part of a wider commitment control system. | • Successfully controlled arrears, and hence promotes expenditure discipline.<br>• Linked to disbursement means regular reporting.<br>• Information on finances only no results.<br>• Do not capture donor funding.<br>• Covers all central agency reporting. |
| | • **Project Reporting System –** introduced by the Office of the Prime Minister. Each development project is required to submit a quarterly performance report demonstrating the outputs achieved, and funds spent. | • Reporting on outputs and expenditures.<br>• Over complex reporting formats.<br>• Low compliance. Why? Effort required in compilation, and reporting not linked to disbursements.<br>• Capacity of central government (OPM, MFPED) to follow up on 500 reports. |
| | • **Monitoring of Central Government Agencies –** the treasury monitors the financial aspects. The Office of the prime minister is involved in monitoring project performance | • Treasury monitoring focuses on financial aspects only and the administration of the commitment control system.<br>• Little systematic focus on results, as Office of the Prime-Minister has little power ore personnel to administer and to enforce its project reporting, and monitoring. |
| **Sector** | • **Sector PAF Reports –** central agencies responsible for sectors or sub-sectors were required under PAF to prepare quarterly reports. (Now no longer happening) | • First serious attempt at making sectors report on actual performance, which they had to defend publicly.<br>• Linked results to financial performance.<br>• PAF programmes only part of sector – therefore this was not sector- wide reporting. Focused largely on local government performance, not centrally administered programmes<br>• Again producing the reports was the priority, and not taking actions to improve performance on the basis of those reports. Analysis tended to be repetitive and the data on actual outputs was not always well presented, or there at all<br>• Overlapped with emerging reporting as part of SWAPs |

| Table 8: Reporting, Monitoring and Review Budget Performance | | |
|---|---|---|
| | **Sector Reports –** periodic sector reports are prepared by sectors which review performance against targets and benchmarks for sector stakeholders as part of their Sector Wide Approaches, for discussion at the sector reviews | • These reports document the performance of the whole sector (at the output level at least), against agreed targets and benchmarks.<br>• There is substantial ownership of the reporting process within sectors themselves, and the exercise of reporting is taken seriously by those involved.<br>• They however do not always make a link between budget outturns and outputs against targets, and the focus is often on quantitative and not qualitative performance.<br>• Often little focus on the outputs of central agencies |
| | **Sector Reviews –** sector reviews are broad , open stakeholder for a which are held to discuss sector performance against agreed benchmarks, new targets are agreed, and new policy reforms initiated. | • Open discussions sector performance held<br>• The sector performance reports are discussed systematically.<br>• Inadequate focus on linking budget and output performance.<br>• 'Missing middle' of linking output (budget) performance to sector outcomes. |
| **Overall Budget Reporting** | **PAF Quarterly Reports –** Sector PAF reports were compiled into the PAF quarterly report each quarter, and combined with a statement illustrating the disbursements against budget. | • First attempt at compiling and comparing sector reports and performance periodically.<br>• Little analysis carried out of collective/comparative sector performance.<br>• Reports repetitive, and there was no consistent preparation of results.<br>• PAF focused attention on only part of the government budget, and away from areas, such as public administration and defence. |
| | **PAF Review Meetings –** open quarterly meetings were held to review the performance of PAF, at which donors, civil society, and the press were present. | • Sector ministries were held to account for their performance in public.<br>• Few actions actually agreed to improve performance at the meetings.<br>• Difficult to scrutinise sector performance effectively at half day meetings. |
| | **PRSC Matrix –** the PRSC is prepared every six months, and shows governments progress on key administrative and institutional reforms. Fulfilment of key benchmarks in the matrix trigger the disbursement of funds | • An effective way of planning for and tracking crosscutting institutional reforms.<br>• Presents a series of process outputs.<br>• Still considered a World Bank Instrument, and is not fully government owned. |
| | **Budget Performance Reports –** these are meant to show the performance of the whole budget, and thus far have focused on revenue and expenditure performance | • Comprehensive approach to budget reporting, treating all sectors in a uniform manner. An instrument that can potentially track budget performance towards PEAP implementation overall.<br>• No mention of output performance to date, solely financial, without inclusion of output performance could be seen as a backwards step from the PAF reporting and review.<br>• Currently written, not compiled by, the Ministry of Finance, Planning and Development, without input from sectors, yet replaced PAF reporting. |

**Table 8: Reporting, Monitoring and Review Budget Performance**

| | | |
|---|---|---|
| | **Public Expenditure Reviews –** a national stakeholder conference held to discuss overall budget performance and the proposed budget al.locations for the next financial year in April/May. | • Forum for discussing budget-wide implementation, with wide spectrum of stakeholders.<br>• Agenda explicitly links performance to budget decisions as both are desk.<br>• As with PAF little time for meaningful discussions in the meetings, and the problem is compounded with Inadequate linkage with sector review process.<br>• Little systematic way of PER to identify key cross-cutting budget issues to be addressed. |
| **Poverty Monitoring** | **Survey Reports –** information on final and sector outcomes is collected from various surveys, including the census, household surveys and others. | • Provides important information on sector outcomes<br>• Information on outcomes becoming more comprehensive.<br>• Outcome data expensive to collect and often long intervals between data sets.<br>• Quality of data from surveys sometimes questionable. |
| | • **Poverty Status Report –** the poverty status report is produced every two years, and sets out the status of key PEAP monitoring indicators, including final and sector outcomes. | • Analysis attempts to assess the link service delivery to sector outcomes<br>• Important overall picture of the status of poverty in Uganda, synthesising all the poverty data available<br>• Relatively weak on issues of budget effectiveness. |
| | • **Poverty Monitoring Network –** responsible for technical coordination of monitoring activities and the identification and commissioning of new areas of research and analysis. | • Junior representation on the committee, means that still little sector buy in to analysis and research carried out.<br>• Alongside the Poverty Eradication Working Group, does not carry much weight in influencing decisions. |
| | • **Poverty Eradication Steering Committee –** this committee, which it is proposed will have the same as the PRSC Steering Committee, and should oversees the poverty monitoring activities, and the translation of poverty outcome analysis into policy reforms. | • Potentially an important forum for overall coordination of Poverty Monitoring and M&E.<br>• PRSC steering committee has yet to champion the cause of poverty monitoring and ensure that sectors amend policies in light of outcome analysis. |

## 5.3 Monitoring the effectiveness and impact of public expenditure programmes

*Why monitor poverty outcomes?*

The next stage in the monitoring and evaluation chain is the measurement and monitoring of sector and final poverty outcomes. On the basis of this activity, one can examine the effectiveness of government programmes, and by analysing the links between the achievement of outcomes to programmes outputs assess the appropriateness of sector strategies.

The Poverty Monitoring Strategy sets out how final and sector outcomes will be defined and how this will be linked to the monitoring of inputs, activities and outputs and finally integrated into the policy making process. The Poverty Monitoring and Analysis Unit of the Ministry of Finance has been instrumental in developing this approach, spearheading the analysis of poverty outcomes and making the linkage to government policies. A poverty monitoring network has been established to coordinate poverty monitoring activities at a technical level.

### *Measuring outcomes*

On the whole, outcome data is more difficult and expensive to collect and many outcome indicators are collected less frequently than output or activity data. The sources of data on outcome indicators are varied and require careful interpretation and assessment. Important sources of information on final outcomes include the demographic and health surveys and the census, while important information on sector outcomes are gleaned from household surveys and participatory poverty assessments.

Table 9 shows the sources of information for outcomes and outputs.

**Table 9: Sources of Information for outcomes and outputs**

| Level of Monitoring | Method of data Collection | Frequency | Output |
|---|---|---|---|
| Final outcomes (or impacts) | • Population Census<br>• Demographic and<br>• Health Surveys<br>• Impact studies | 10 years<br>5 years | • Poverty Impact Assessment reports |
| Intermediate outcomes and processes | • Households surveys<br>• PPAs<br>• National service delivery<br>• Integrity Surveys<br>• Sentinel Sites<br>• Agricultural, Industrial and<br>• Labour-market surveys or<br>• Censuses | Bi-annually | • Service delivery Survey reports<br>• Beneficiary assessment reports<br>• PPA thematic reports<br>• Survey reports<br>• Poverty Status Reports. |

*Source*: Poverty Monitoring and Evaluation Strategy

Using these tools, Uganda is now generating significant data on poverty outcomes and the use of this information is gradually being mainstreamed into the decision making process. Various reports are written on the basis of the information collected in these various surveys. In addition, various institutions carry out analysis to explain the reasons behind the outcome information.

### *Making the link between public sector programmes and outcomes*

Perhaps the most crucial element of the analysis poverty outcomes is the assessment of the causal link between sector strategies, policies and outputs, and poverty outcomes – and, ultimately, budget effectiveness. The key regular report on poverty outcomes, and hence the achievement of PEAP objectives, is the bi-poverty status report which presents and analyses the status of final and sector poverty outcomes. The report attempts to link these final and sector poverty outcomes to service delivery outputs and the policy environment overall. It is basically a synthesis, compiled by the Poverty Monitoring and Analysis Unit, of the results and reports from the various surveys carried out over the two-year period. The Poverty Monitoring and Analysis Unit also carries out analysis itself of key issues around poverty outcomes. For example, it has worked on issues such as the causes of infant mortality and the implications on government policies.

Following on from this report, decisions can be made to improve governments strategy, policy and expenditure decisions. It is very evident that the revised PEAP was heavily influenced by significant amounts of outcome data from analysis of, inter alia, household survey data. This included the Uganda Participatory Poverty Assessment, in which the poor were consulted in their views on poverty and the record in implementation of programmes since the original PEAP. Similarly, allocation decisions have been influenced by this report. In 2000, the preliminary report of the Uganda Participatory Poverty Assessment found that both water and sanitation and primary education were the top needs of the poor, and accordingly, the additional resources from the enhanced HIPC initiative were allocated entirely to these two sectors.

However, the influence of sector outcome analysis is less apparent in sector decision making. The Poverty Monitoring Unit is regarded by some within and outside the Ministry of Finance as another donor project, rather than a mainstream government function and its analysis is not always used. A Poverty Eradication Working Group (for which the Poverty Monitoring Unit provides the secretariat) reviews sector BFPs in the light of poverty outcomes and a set of other criteria used to assess their poverty orientation. However, their advice is rarely heeded in the decision making process.

The process, however, is nascent and there is substantial potential for such analysis to improve the effectiveness of government sector strategies and policies. A problem is that the Poverty Monitoring Unit and its various reports do not have an effective route into the decision making process. Overall, there is no high level committee that has yet championed its cause (although the Poverty Monitoring Strategy does mention the PRSC Steering Committee as that entry point). Perhaps, entry points for reform may be most likely to be found not through the budget process per se, but through the sector review processes. These are fora where consensus can be built around policy changes in light of outcome analysis. Importantly, it is not only the Ministry of Finance carrying such analysis out. The Ministry of Health has its own Health Policy Analysis Unit and this commissions and publishes its own research. Other sectors do not have such units but they are increasingly aware of the need to align their policies more towards sector outcomes. The outcome orientation of the PMA and the revised Road Sector Development Plans are cases in point. This is a significant opportunity for sectors to improve the effectiveness their policies; however, it is a slow process, because sectors are not always willing to change their ways and adjust their policies.

## 5.4 Independent verification of results

### *The need to verify performance information*

The processes described above are aimed at measuring performance for use in the various management and policy decision-making processes. It is also important to reiterate the accountability aspect of performance measurement, and consistent with accountability is the need for independent mechanisms for verifying performance as well. Internal audit, the Auditor-General, the national and local government Public Accounts Committees all have a traditional role of independently verifying financial performance; however, they all potentially can play an important role in the verification of results. Civil society organisations can also help in the verification of results and are taking and increasingly keen interest in doing so.

### *Audit*

Internal audit is generally weak; moreover, the function is exceptionally weak in LG. Internal auditors posted in central ministries are all employed by the Ministry of Finance and so have some degree of independence. In LG's they are employees of the administration and internal audit departments are often starved of cash. Internal auditors often complain that when reviewing payments, they are unable to verify whether activities have actually taken place. In such cases, internal audits are limited to a verification of paper/financial accountability and as such limits the scope for internal control of expenditures. Internal audit within ministries also does not particularly focus on results.

By statute, the Auditor General is responsible for carrying out annual external financial audits of all government institutions, including central government agencies and local governments. At present the Auditor General is struggling to fulfil this obligation, although its capacity has been upgraded substantially and there are now far more qualified accountants in the OAG.

In the original provisions of the PAF, unrealistic commitments were made by the government for quarterly value for money audits of PAF to be carried out by the Auditor General, using some of the funds provided for monitoring and accountability. Unsurprisingly, the Auditor General was unable to carry out this task, and those audits that were carried out were of poor quality. Given its stretched capacity it was decided that the Auditor General should focus on the single statutory financial audit of LG's. Understandably, this financial focus is likely to remain for the foreseeable future.

### *Tracking studies*

Donors providing budget support to sectors initially advocated independent sector-wide audits of expenditures; however, this was in direct conflict of the statutory requirement for audit by vote/institution. Instead of sector audits, sector tracking studies were commissioned which aimed to verify, on a sample basis, budget implementation from disbursement by the Ministry of Finance to the point of expenditure. The main problem with tracking studies is that they are almost entirely financial and have the limited function of verifying financial flows. Whilst audit systems are being strengthened, some consideration should be placed on broadening the scope of tracking studies to cover the independent verification of activities and outputs as well as just financial flows.

### *Parliament*

The Auditor General presents its Audit Report to the Public Accounts Committee of Parliament. The committee scrutinises the report and makes recommendations to the Ministry of Finance, which responds in the form of the Treasury Memorandum. These functions are being carried out in n an increasingly timely basis. Also, the Public Accounts Committee has been engaged in training their counterparts in local government public accounts committees.

Alongside their greater involvement in the budget formulation stage, Parliament is becoming increasingly interested and engaged in the review of sector budget performance. Ministers are required to make policy statements to Parliament at the beginning of the financial year. In these statements, they not only have to justify their future allocations but also their past performance. However, the sector committees of Parliament have yet to assert real power. Their increased interest comes from parliamentarians' realisation of the increased importance of the PEAP and the sector review processes which they have failed to engage in fully. Although some technocrats within government and donors see the increased interest as political interference, it should actually be considered as an opportunity for political engagement and enhancement of horizontal accountability.

*Role of civil society*

Civil society has increasingly been playing a role in the monitoring of government programmes since the inception of PAF. National NGOs, led by the Uganda Debt Network, monitored the implementation of PAF programmes collectively in LG's. It was soon realised that NGOs could not do this job effectively from Kampala which led to the creation twenty or so District PAF Monitoring Committees. Here they facilitated local NGOs to monitor independently the implementation of PAF programmes. The information generated by these activities were presented at PAF quarterly meetings. On the whole, NGOs have contributed to the legitimacy of the reported results in PAF programmes. They have also contributed effectively to the debate on government policy and this engagement has built an atmosphere of trust and partnership.

The Uganda Debt Network is also piloting the formation of community based monitoring initiatives which encourages community level monitoring of government services.

Such initiatives indicate the increasing importance of the civil society role. However, there is an underlying problem in the sustainability of civil society monitoring. Ideally, civil society monitoring initiatives should be self-funding and be motivated by civic duty. However, initially this is unrealistic, and activities such as training at least need to be paid for from above – and it is donors that ultimately tend to be financing these civil society initiatives.

# Chapter 6: Factors in the Success or Failure Performance Management

## 6.1 Use of performance information in decision making

### *Completing the performance management cycle*

The acid test of whether the results-based frameworks are being successful is whether and how performance monitoring and evaluation is used to improve decision making and performance. Such decisions can take place at every level, whether in day to day management of activities or in formulating national policies.

Thus far we have given anecdotal evidence of how and where information is used throughout, and Box 18 shows some of these examples. Performance information collected is being used in various ways to improve performance. Output and other performance information is being used to make operational decisions in the Health and Roads Sectors. It is being used to allocate funds in all sectors, and as the basis for incentives and penalties for local governments in Education and under the Local Government Development Programme. Also outcome information generated through Poverty Monitoring has started to influence national and sector policies through the PEAP and SWAP processes. The uptake has been varied within different institutions and sectors; nonetheless, performance based practices have added significant value to decision making.

**Box 18: Examples of how results have been used to improve performance**

*Operation of programmes*
- The allocation of more funds to drug purchases by local governments, after a surge in outpatient attendance.
- Information on the condition of roads, influencing the decisions on which roads to maintain when.

*Allocation of funds*
- The allocation of more funding to community mobilisation activities by district managers when the immunisation rate dropped in Bushenyi and Iganga.
- The use by the Ministry of Health of household consumption as a factor in the allocation of grants, once their previous allocations were shown to be inequitable.

*Performance incentives*
- The Ministry of Education published league tables for local government performance, in classroom construction and good performing districts under are rewarded with additional allocations in the Education Sector.
- The application of minimum access conditions and performance rewards to the Local Development Grant on the basis of the National Assessment of local governments

*Policy formulation*
- The incidence of diseases in Uganda influenced the design of the Minimum Healthcare Package.
- The decision to provide a non – sector conditional grant to lower local governments under the Plan for Modernisation of Agriculture based on the observed variation of the causes poverty in communities.

### *Demand for information on performance*

As the analysis has shown there is a huge amount of information being generated through performance monitoring systems in Uganda; however this information is not always used. There were three main reasons why information was not used in decision making:

- The information is often not useful for decision-makers at any level. Information overload is common – the temptation, when designing Monitoring and Evaluation systems, is to include huge amounts of information, regardless of whether it will be useful to managers. Having too much information, which may be irrelevant or inappropriate, makes it more difficult, not less difficult for decisions to be made.

    — The information is not useful to the level of managers concerned. Different levels of management actually need different classes of indicator (outcome, output, activity, input), levels of detail or aggregation (subcounty, district, national) to make their decisions. M&E systems often do not take this into account and generate the same information for all levels of decision-making. Operational managers within an institution may need details of all inputs and what activities have been carried out and where so as to ensure planned outputs are achieved, while top management within an institution may only need to know whether the outputs are actually being achieved or not. case in point is the PAF reporting system, where local governments provide information on district level activities, in significant detail to ministries. Line Ministries do not have the capacity to analyse all the information. The information cannot then be used to make decisions on which local governments need more mentoring and more closely monitored, or as the basis for rewarding good performing districts. Similarly, the reports are often too complex for local politicians to understand. Only with the Schools Facilities Grant where the activities and outputs are the same has it been possible to measure and rank performance and publish the results. Under the Fiscal Decentralisation Strategy a hierarchical system of internal and inter-agency reporting is being developed, which will provide appropriate information to managers and politicians at different levels.
- Managers are not aware of how performance information can be used in decision-making or are not willing to use it. Often managers do not know how to use information to improve services. M&E systems focus on the generation of information, and not on how it can be used to improve decisions. An exception here is the Health Management Information System, where guidelines have been given to managers on how to use the information generated by the system in improving service delivery.

This problem is especially true in the policy formulation and budget allocation. Information on sector outcomes is now being collected regularly through poverty monitoring activities, but sectors are having problems in translating the information into policies reforms which improve targeting towards the achievement in outcomes. For instance, in health sector outcomes such as infant mortality have not been improving, despite increases in sector funding. The sector is struggling to understand why this is the case and how to make their policies more effective and efficient. Without such solutions the sector is instead lobbying for additional resources, while the problem could lie in the programme choices and broader budget efficiency.

### *Fragmentation of systems*

Another broad reason why information is not being used as well as it could be in decision making is that there is a proliferation of M&E systems, combined with a fragmentation of funding sources, along with poorly consolidated budgets. Managers often have to spend more time preparing reports than analysing the information and making decisions on the basis of it. The linkage between PAF reporting, ROM, SWAP reviews, and the PER are not clear. While there are separate M&E systems for every donor project this makes it very difficult for managers to get clear information and make decisions on the bases of that information.

## 6.2 Differing use of results

There are several different institutional factors regarding the success of results-based frameworks, and their use in the interactions between institutions within government and between the public and private sector.

### *Use of results in allocation decisions*

Performance based practices have significantly sharpened the focus of the planning and budgeting process. While progress has not always been consistent and systematic nonetheless strategy and allocation decisions have been increasingly been influenced by results, with better decisions being made.

The most important factor that has enable the reorientation of expenditure allocations has been the political commitment and drive behind the poverty eradication agenda, which has enabled allocations to be made on the basis of their contribution towards this goal.

Another major factor in this success has been that the rapidly increasing resources available in the budget which occurred almost simultaneously with the introduction of the PEAP, OOB and the development of sector plans under SWAPs. This has enabled the government to make more efficient allocation decisions on the basis of performance information. However, the implication of this is that there remain significant inefficiencies in budget allocations as many of the inefficiencies in the budget allocations from prior to 1997 remain.

In future the GoU budget is unlikely to increase as quickly as it did between 1997 and 2002, and GoU will require a more robust mechanism for allocating resources from one sector to another on the basis of results. Many substantive issues around budget efficiency and effectiveness of existing MTEF allocations will soon need to be tackled if the achievement of PEAP goals is to be accelerated.

### *The nature of institutions*

The tools for results-based procedures are now established and are beginning to prove important and valuable in the management of public institutions. However, any further progress which will enhance the application of ROM and OOB requires changes in the management ethos and the public service incentive structure.

Results-based Practices, when used, have improved ministry and local government decision making and management. It is evident that the combination of OOB and ROM has helped focus managers' minds on how to carry out their roles more effectively and make better use of resources. Indicators and targets are tools for diagnosis of problems; however, it remains up to the leader, manager, or service provided to make decisions on the basis of information provided to improve performance. It is evident though, that the type of institution has a bearing on the success of performance management and also how it is implemented.

**Use of results by central ministries**

The biggest disparity in the application of results-based frameworks is between central ministries and local governments. The application of results-based practices within government ministries in Uganda is weak.

Why is this the case? It is difficult for ministries to identify their results in terms of indicators – ministry outputs tend to be discrete and the result of processes and as a result targets cannot be set in terms of quantity. It is also difficult to measure the quality of the outputs of a ministry. Similarly all ministries have different mandates, and therefore different outputs. It is therefore difficult to compare performance between ministries. Results-based Management within ministries is accordingly more about the qualitative aspects of performance management. This involves looking at performance of individuals and departments in terms of the quality of outputs and less about quantity. It is therefore easy to see how a ministry can achieve results without necessarily applying systematic results-based frameworks.

However, whether these institutions are being efficient remains a different and more difficult question to answer. Systems of results-based management and performance appraisal of staff can help to ensure that staff inputs are being used efficiently; however, central ministries must have a prior incentive to improve efficiency. There is often no such incentive, and as ministries have entrenched practices, more rigid personnel situations, and the practice of incremental budgeting remains, independent change from leaders and managers is unlikely. In short the 'performance contract' or relationship between the parliament, crosscutting ministries (the Ministry of Finance, Ministry of Public Service) and other ministries is unclear and this makes enforcement of performance difficult.

**Local governments and service delivery**

Sector ministries have been better at developing and applying results-based practices in managing their relationships with local governments, through conditional grants under SWAPs than using them for their own management.

Overall, the application of results-based frameworks within local governments appears more widespread although this does not necessarily translate into better local government performance across the board. Performance management is more widespread because local governments provide relatively homogenous and easily measured services for which it is easier to identify performance indicators and easier to link the budget to discrete activities and outputs. This makes it possible to assess budget efficiency within a local government and compare between local governments.

Also there is a clearer incentive for local governments to collect performance information – if they do not report on performance to central government they do not receive funding. This is due to the clear distinction between the principles and the agent and the ease of enforcement of reporting. However, the nature of the 'performance contract' between central and local government at present boils down to paper accountability, since local governments are often not put under pressure to actually improve efficiency. Central government needs to use this performance information more constructively, so as to help support efficiency improvements in local governments. The local council also needs to be more engaged as it is actually intended for closer the administration and service delivery.

LG's are also relatively young institutions as their administrations were formed in the mid 1990's, and therefore have less entrenched practices than central agencies. This means that there is actually more potential for new management practices to take hold and a greater possibility for results-based frameworks to add value.

### *Managing SWAPs and Ministry Planning Departments*

With the restructuring of the civil service the responsibility of planning and budgeting was devolved to ministry planning departments. Planning departments have played an important role in the application of OOB and ROM within sectors, and also in developing the relationship with local governments.

The Health and Education ministries had the strongest planning departments, and these have controlled the planning and budgeting and the SWAP review processes. They are also instrumental in managing and co-ordinating the relationship with donors. The control within the ministries has also helped ensure full ownership of sector plans and the review processes within ministries, and consistency between the ROM and OOB initiatives. In the Ministry of Education, in particular, the planning department appeared to have taken over many of the roles of line departments, who appeared sidelined. The Planning Department is less dominant in the Ministry of Health, and line departments appear to be using ROM as an opportunity to assert their roles, and justify their need for increased shares of ministry resources.

The Ministries of Works and Agriculture have different set-ups, where the planning departments have slightly less prominent roles. This reflects the way the sector planning processes evolved, and the deeper involvement of the Ministry of Finance. The roads sector has a steering committee chaired by the Ministry of Finance, and supported by an RSDP coordination unit in the same ministry and not the Ministry of Works. This mixes up of the principal-agent relationship, and could be damaging, if it were not for the ownership of the RSDP in the Ministry of Works, and the high political priority given to the roads sector by the President. The results-orientation has remained strong throughout.

The importance of political commitment and ownership can be illustrated with the situation of the PMA, whose implementation has been slow. Implementation is coordinated by a PMA Secretariat located in the Ministry of Agriculture, and a multi-sector Steering Committee, which was originally chaired by the Ministry of Finance, but is now chaired by the Ministry of Agriculture. There is far less ownership of the strategies within the PMA within the Ministry of Agriculture, and there is little high level political commitment to the strategies in the PMA. It also leaves an unclear role for the agriculture planning department. The PMA framework and its demand driven principles have been undermined by Initiatives such as the Strategic Exports Programme, which provides inputs to coffee, cotton and cocoa farmers. ROM indicators identified in the Ministry performance plan also reflect a role very different from that envisaged in the PMA. The PMA may be a very good strategy on paper, but it is unlikely to be implemented properly, and may continue to be bypassed or undermined, so long as institutional and political commitment are lacking.

## 6.3 Contracting out using the private sectors

### *Managing private sector contracts*

In Uganda, private sector firms are now used to carry out most physical investments on behalf of the public sector, whether it be classroom construction or building of roads. The ability to achieve results through the private sector is directly related to the public sector's ability and incentive to formulate, manage and supervise contracts with the private sector effectively. However, there is little incentive to manage contracts effectively, hence weak capacity to do so.

Major works contracts in the Roads and Water sectors, for example, often result in major cost overruns. This is often due to weak contract management. It is also due to the complex nature of the relationships between contractors, firms with the supervisory contracts and the public sector. Given the fact that the public sector officials are the least well remunerated of the three parties, the incentive for the public sector to prevent cost overruns is often not there, even if contracts are well formulated. There is also substantial scope for rent seeking by the private sector contractors.

Similarly, the quality of classrooms constructed under the SFG grant depends significantly on how closely the construction firm is supervised by local government staff to ensure that the specified contract is being followed. If that supervision is ineffective, then contractors will cut corners and build inferior classrooms. Also, there is often scope for collusion between contractors and staff and this creates further problems.

### *Using the private sector in service delivery*

There has been well documented evidence of the superior performance and quality of service deliver provided by the NGO and private sector institutions in areas such as health, education and agriculture sectors in Uganda.[27] However, this does not necessarily mean that they can and should be a substitute for public service delivery.

Although in many cases the private sector or NGOs do provide better services than the public sector, the comparison is often unfair because these institutions charge for their services. In the Health sector, grants are transferred to local governments to fund NGO health units to provide services on behalf of government; however, they are still permitted to charge for health services. The private health centre visited in Bushenyi as part of this study actually appeared to be delivering inferior services to that of the public sector clinics, and the tracking of service delivery indicators was far less in evidence. One of the factors behind this was the attitude of district staff, who took less of an interest in supervising NGO health centres and district officials often perceive NGO units as rivals, rather than contractors. Although memoranda of understanding are signed, the lack of formal performance contracts with NGO health units that are specific about the outputs that these units are to deliver, may contribute to the lack of supervision of NGO units.

The new National Agriculture Advisory Services, which is being piloted in a few districts, contracts out advisory services completely. Farmer groups in subcounties decide on the advisory services they need, and then the subcounties tender and manage contracts on their behalf with the private sector. Given their weak capacity, it is questionable whether subcounties will have the ability to manage contracts and ensure that quality services are provided. It is also unclear how the private sector will respond in these areas and whether there is the private sector capacity to meet this demand. It is too early to judge whether this approach is being or will be successful.

In sectors such as the water, power and telecommunications sector, various forms of private sector involvement are being tried out. These range from privatisation in the telecommunications sector, to forms of leasing and concessions to run water supply systems. The success of these initiatives depend on the formulation of contracts or regulation arrangement, and the ability for contracts to be enforced.

There is also an inherent assumption in these approaches that the private sector has higher capacity than the public sector in Uganda and is less corrupt. This means sometimes incorrect decisions are made in what to contract to tender to the private sector. As mentioned previously, the Ministry of Education contracted the private sector to carry out monitoring activities on its behalf. Although more comprehensive, the monitoring reports received were of not of any better quality than those prepared by the Ministry prior to the contracting out.

[27] For example, Emmanuel Ablo and Ritva Reinnikka 'Evidence from Public Spending on Education and Health in Uganda' World Bank Working paper, (1998)

## 6.4 Leadership, management and incentives

Output Oriented Budgeting and ROM are tools for managers to help them to improve the efficiency of the operations, and the making of the associated decisions. They do not and cannot replace good political and administrative leadership and management skills within an institution. In Uganda, it is the quality of the leadership and the management that are probably the two most important factors in the performance of an institution. It tends to be the administrative and political leadership that set the tone of institution, and determine whether inputs are managed efficiently and effectively

Ironically, in view of this, it is the upgrading of financial management systems and capacity that tends to get most attention, especially from the donor community. Poor financial management actually tends to be a symptom of weak or corrupt leadership, management and poor incentives. Without tackling these factors, the value of upgrading public expenditure management systems and other initiatives which promote budget efficiency will be undermined.

### *Leadership*

The quality of leadership (both political and administrative) and management was found to be a key ingredient for any agency's performance; however, the agencies with strong leaders are not necessarily those that make full use of results-based frameworks. The Ministries of Finance and Education are perceived to have strong leadership, and be good performers; however, neither appeared to be implementing ROM very rigorously. However, the Ministries of Finance and Education, with their strong leadership, were good at applying results-based frameworks to other institutions which were subsidiary to them/delivering services on their behalf.

This implies that there are weak incentives for central institutions to increase efficiency. ROM and OOB need to be more systematic and forcefully implemented, especially in central government, and use of and compliance with both should be more rigorously enforced. At the higher levels in government, there tends to be the most patronage in terms of appointments. This is inconsistent with the needs for greater focus on the performance of leaders and for holding them personally responsible for the performance of their institutions.

### *Management and flexibility*

A lack of basic management skills undermine the ability of institutions to perform generally, and also diminishes the value of results-based practices. Poor managers are less likely to monitor department or staff performance and use this information to make better decisions and motivate staff. This brings to the fore the importance of public sector reform programme in Uganda and especially the need to attract and retain high quality managers within the public service.

It is difficult to say whether the amount of flexibility lent to managers in central agencies is currently a major factor in their ability to perform. It appears that the issues such as management and leadership quality and incentives are more fundamental in terms of an institution's efficiency. There is probably adequate flexibility on paper for ministries; however the flexibility is undermined by these other internal factors. The evidence is clearer in local governments, where it is evident that the tight controls over inputs imposed by central government are restricting innovation and undermining the ownership of programmes.

### *The move away from cost sharing*

Because of the drive to be 'pro-poor', there has been a tendency to make sure that services are free at the point of delivery and to abolish cost sharing, i.e. beneficiaries paying for service delivery in part or in full (e.g. patients paying for healthcare). For instance, health and education services are now supposed to be free at the point of delivery – an ostensibly pro-poor policy. The positive aspect of the poor being able to access services has, however, not been weighed against the cons of the deterioration in the quality of service delivery to those who actually receive it. In particular, staff working in the Health Sector appeared demoralised, claiming they were over-worked and unable to perform their jobs effectively, as drugs and equipment rarely met patient demand.

In the Health and Education sectors, informal methods of rationing, and/or charging, have crept in since the services were made free. Some of the better government primary schools we visited had informal fee paying systems, framed as parental contributions, which were stated to us as optional, but were probably compulsory (which is contrary to the government UPE policy). This payment of fees was accompanied by a stronger, more formal parent-teacher relationship. Such a relationship was seen to be more important than that of the relationship with the district, in terms of motivating staff to perform. In Mulago Hospital, the national hospital in Kampala, most patients will receive free treatment for a couple of days, and this will include any drugs available being provided free; however, after two days of free treatment, patients are asked to pay for further drugs. Such practices are common throughout the country.

### *The need for strong incentive frameworks*

Institutions and the individuals within them need strong incentives to perform. A framework oriented towards performance depends on a clear distinction between the principle and the agent. It must be in the interest of the agent to deliver the results required by the principle. This is true whether it is between donors and government; the Ministry of Finance enforcing rules with local governments or ministries; the District Local Government ensuring that the private sector or public sector service delivery units perform; or whether it is Mitooma Primary School Management Committee and the teaching staff.

The Local Government Development Programme has shown that linking grant allocations to performance can provide a strong incentive to enhance institutional capacity to deliver results. The lessons show that formal institutional incentive structures can work within government and that they do not necessarily have to punish poorer performing agencies. However, for this to work the rules and performance criteria against which agencies will be measured must be clear ex-ante, and credible, transparent systems for their enforcement must be in place.

Financial incentives were important in staff management; however, these mechanisms were often informal and not transparent. The informal mechanisms of distributing training and allowances to good performers are not necessarily bad; however, they represent a hidden cost. It also means that good performers stay away from the office longer. It is often difficult to distinguish between the rewarding of performance and patronage. The car loan system in Bushenyi was one example where there were beneficiaries on all sides and which was universally appreciated and increased loyalty of staff to the district.

However, the incentives that work are not always financial or material. The publishing of performance tables can act as an incentive to perform, as the education sector has shown, although this has not been replicated much elsewhere. Simple provisions such as the publishing of public notices of disbursements of UPE funds in schools had dramatic effects on reducing the diversion of funds. Those involved in service delivery mentioned themselves that technical interactions with district staff, and/or recognition in front of peers were great incentives to perform. Simple management techniques can therefore provide incentives just as well as formal incentives.

Both formal and informal incentive frameworks can therefore have substantial impacts on the achievement of results. In the context of this study it is therefore important to highlight that incentive frameworks linked to systems of performance measurement are a very good way of ensuring the success of results-based management systems.

## 6.5 Donor-government relations

### *The changing nature of donor- government relations*

There has been a fundamental shift in the donor-government relationship in Uganda over the past five years with the move from ex-ante to ex-post conditions. The basis of the disbursement of donor funds is increasingly on the achievement of pre agreed performance targets and processes within an agreed time frame.

This relationship is built on the performance based frameworks, and review processes around the PEAP, the PAF and SWAPs. Donors significant role and stake in these government led reforms has given them the confidence to make this shift and channel their funds through government budget systems. The existence of collectively agreed targets and performance criteria has also led to increased donor coordination.

Sector Reviews have become increasingly important fora for discussing and agreeing performance indicators and benchmarks for the disbursement of earmarked sector funds from donors in the future. The PRSC process is evolving into a mechanism for government to agree cross-sector reforms, and their associated benchmarks with donors, who are increasingly tying their support to a successful PRSC review process as well.

### *The credibility of donor conditions*

The process of setting and agree performance targets and process benchmarks is becoming well established; however, the donor government relationship is actually does not provide much incentive for the Government of Uganda to perform. In theory, the government should be rewarded with increased donor inflows if it performs well against targets and reduced inflows if it does not. This is the same principle that underlies the success of the LGDP performance assessment and incentive framework.

However, the implications for the Government of not meeting agreed performance benchmarks are unclear. For example, in the education sector unrealistic targets were agreed between donors and government. This culminated in the Ministry of Education missing several key benchmarks in April 2001, which were conditions for the disbursement of donor funds. Donors threatened to withdraw their funding; however, compromise was reached, and donors did not reduce their funding. This was actually a shared responsibility of donors and government as at the outset both parties should have realised that the targets were unmanageable and agreed more realistic targets.

The PRSC, with the PRSC Matrix, has thus far proved a powerful lever in ensuring that various politically sensitive policy reforms have been carried out and there is now wider involvement of donors, who are increasingly tying their support to a successful PRSC review process as well. It provides an important pressure on government to keep the pace of important reform going, while ensuring that they are carried out by government and not by outsiders. It is widely agreed that legislation such as the new Leadership Code requiring political and public service leaders to declare their wealth would not have been passed, if it had not been for the pressure exerted by the threat of reduced funding from the PRSC.

The Government is aware that there is a threat of donors withdrawing funding from sectors or across the board if it does not meet benchmarks. However, donors have not made it clear what this threat is. It is increasingly dangerous that the implications of not meeting various conditions have not been spelt out, and that there is no clear incentive framework. There is actually a danger that Government may take a risk too far, and lose all donor funding at once, with potentially catastrophic consequences.

### *Getting the incentives of the aid contract right*

In their examination of the aid relationship in Uganda, Adam and Gunning[28] argue that despite the evident operational changes, the fundamental nature of the incentive structure between Uganda and its donors has not changed. They argue that this is due to the observed lack of credibility and the nature of performance indicators used. They point out that:

> *'In general there exists a tension between performance indicators supporting the monitoring and management of a complex implementation problem on the one hand and being used to trigger release of funds on the other. The outcome of this unresolved tension is that aid contacts remains incoherent on the question of sanctions and rewards, and as a result fail to address fundamental problems of credibility….'*

Probably rightly, they state that factors such as Uganda's involvement in the Democratic Republic of Congo and corruption that would result in donors withholding aid flows and not the missing of performance targets agreed in SWAPs.

Under current arrangements, if performance targets are missed, a reduction in aid disbursements does not make sense for donors. As the many of the conditions signed up to in SWAPs are actually input or service delivery conditions, such a reduction will directly reduce the ability of the GoU to achieve these agreed performance targets. This is inherently contradictory and it is actually impossible to set up an incentive framework around the current indicators used. The reason why the LGDP incentive framework works is because the incentive framework is tied to administrative performance and funding is being provided for infrastructure development but they do not directly effect each other.

Adam and Gunning continue to argue that ideally credible incentive frameworks should be formed around outcome performance; however, this is constrained by incomplete information about the link between inputs to outcomes, which we observed in Chapters 3 and 5. There are also often external factors which influence outcome performance, and even western governments, such as the UK[29] have problems in meeting outcome targets. They also argue that process indicators should not be used because that would undermine local ownership.

Provided process indicators are mutually agreed as part of a government led process, and not imposed by donors during the review process, they can and should be used as part of a basket of indicators which trigger incentives and penalties. However, conditions in any aid contract do also need to reflect to a certain degree service delivery performance. The solution does not have to lie with outcomes. In fact, sometimes it may prove unfair to tie aid allocations to outcomes where there are significant external influences.

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[28] Adam & Gunning, (2002) 'Redesigning the Aid Contract: Donor's use of performance indicators in Uganda', World Development
[29] The UK government has missed targets relating to hospital waiting lists in Health, and crime.

Efficiency measures relate the service delivery outputs achieved to the inputs used in achieving those outputs. A government which uses aid more efficiently should be rewarded. It ought to be possible to develop efficiency measures in sectors such as health, education and roads at least. For example, lower unit costs in building classrooms nationally might be rewarded with additional aid allocations. A reduction in aid allocations to poor performers would not directly affect the government's ability to meet efficiency targets.

Agreed targets for budget efficiency, combined with process benchmarks, could be used as part of a credible incentive framework, and donor government relationship. The execution of sector reforms, and exceeding of efficiency targets could trigger higher aid inflows, whilst the missing of such targets could trigger a reduction. This would also allow the prevailing situation to continue, where issues such as politics, corruption, and security remain the likely triggers for major withdrawals of donor funding.

# Chapter 7: Implications of Uganda's Experience and Future Reforms

## 7.1 The use of results in sector planning and budgeting

The use of targets and results in the planning and sector budgeting process is an evolving one in Uganda. It has come on a long way and has added significant value to public sector management systems and processes. Results are increasingly embedded into cross sector and sector wide planning and have undoubtedly improved the allocations of resources towards PEAP objectives, both within and between sectors. However, implementation has been haphazard and has not been comprehensive.

There are looming problems which need to be addressed, if performance management practices are going to add further value. There is now a growing concern that Uganda's established poverty reduction goals and strategies are unrealistic and unachievable. The policy implications of some of the observed problems in performance and the ways to treat poorly performing institutions are unclear. The policy problems being observed, and questions being asked, would probably not have occurred without the results-based practices that have been introduced. Given the performance information now available, and the light this sheds on how government is functioning, agents in the public sector are discovering how best to use it to improve decisions. This is the most crucial gap to close in the performance management cycle.

**Box 19: Results in the Draft Public Finance Act**

**Budgeting:** 'the Minister *(of Finance, Planning & Economic Development)* shall prepare and lay before Parliament …… estimates of the expenditure ……and shall include for each expenditure vote –

(i) a statement of the purposes for which the vote is to be used;……..

(iii) **a statement of the classes of outputs expected to be provided from that vote** during the year and the performance criteria to be met in providing those outputs; and ……….' *Section 15*

**unting:** 'The following accounts shall be submitted to the Accountant General by accounting officers;

(f) **a statement of performance providing each class of outputs** provided during the year signed by the accounting officer that –

(i) compares that performance with the forecast of the performance contained in the estimates laid before Parliament under sub – paragraph (iii) of paragraph (b) of sub – section (1)of section 15; and

(ii) gives particulars of the extent to which the performance criteria specified in that estimate in relation to the provision of those outputs was satisfied; and……' *Paragraph 2, Third Schedule*

*Source*: Public Finance & Accountability Bill (Draft – 2002), bold added

Uganda has come further than most, but its implementation has not been scientific; it has largely been based on trial and error, and thus solutions unique to Uganda have been reached. It is therefore important that countries view the increased use of results within their public sector planning and budgeting as an evolving and improving process. Even if there are gaps, the elements of performance management that are functioning can still add value to decisions.

Uganda is about to start a process of revising the PEAP for the third time. Also the education sector is soon to start revising the original ESIP and the HSSP. Financial management reforms are underway, as is the piloting of the Fiscal Decentralisation Strategy. These processes represent important opportunities for further improving the application of results and there is potential for significant further improvements, learning from the experience thus far.

## *Clear and comprehensive classification of results*

Although the objectives of Uganda's PEAP are very clear, the classification and hierarchy of results in the PEAP, sector plans and budgets are not. This reflects a lack of clear thinking about the lines of causality between sector inputs and outputs, outputs and intermediate (sector) outcomes and overall poverty outcomes. This lack of clear thinking also blurs the lines of responsibility of individual agencies for the achievement of results.

In their concept note for revising the PEAP, MFPED point out the need for:

'Developing sectoral targets and performance indicators in sectors where they are absent…..' [30]

Alongside this, a more structured presentation and rigorous classification of results with clear lines of responsibility is needed, and this should be enforced. There is now need to emphasise the relationship between final (poverty) outcomes, Intermediate (sector) outcomes, outputs and activities, and ensure a more comprehensive use of results, especially in relation to service delivery.

The MFPED is in the process of designing and implementing an Integrated Financial Management System (IFMS). Associated with this reform is the new Public Finance and Accountability Bill, which is due to be tabled before Parliament. The programme based chart of accounts under the IFMS, if properly formulated, should allow the alignment of output targets with programme and agency budgets, and a comprehensive set of indicators to be developed. The budget will also be consolidated with integration of the recurrent and development budgets.

The new Bill will require the intended results of all institutions to be present at the time of the budget, and accounting officers will be held to account for the delivery of those results. Together these initiatives offer an opportunity for a more structured use of results; however, there needs to be political will and significant action by the MFPED if this opportunity is to be taken.

## *Increasing the realism of targets for long term planning*

The outcome and output targets in PEAP and sector development plans have been developed without adequate consideration of the availability of public resources for their implementation. This means that in aggregate sector development, the plans are not affordable and hence the desired results set out in the PEAP are not affordable or realistic. There is also a lack of consideration of the possibility of a trade-off between sector allocations, the overall levels of public expenditure, macroeconomic stability and growth over the long term.

In future, PEAP targets need to be established which are realistic, and that means that they take into account the availability of resources. A system of inter and intra sector prioritisation therefore needs to be established, whereby sectors justify their share of public resources on the basis of the contributions they make to the achievement of sustainable PEAP outcomes.

The Ministry of Finance is aware of these issues and announced, in the Public Expenditure Review in April 2002, that a Long Term Expenditure Framework (LTEF) will be established and included in the PEAP revision process:

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[30] See MFPED, PEAP Revision Inception Note

*'Prioritising and costing of actions under each of the PEAP pillars and developing a Long-Term Expenditure Framework'* [31]

The LTEF[32] would seek to bring in the concept of a resource constraint into the long term planning process and facilitate decisions on long term economy wide and inter-sector public sector allocations. In short, the PEAP in future should be used to make long term aggregate and inter-sector expenditure decisions based on agreed prioritisation of objectives, the associated sector outcome indicators, and knowledge of the cost of delivering sector outputs.

A systematic use of results in sector planning and the PEAP will provide a basis for prioritising actions within the LTEF, with inter sector allocations being justified more in terms of their results (outputs contribution to outcomes). A crucial element in this is whether inter sector allocations, once arrived at in the LTEF, are actually translated into MTEF and ultimately budget allocations. Once LTEF allocations are made, sectors would then need to set sector output targets which are consistent with long term PEAP allocations and are prioritised in terms of the contribution towards achievement of sector outcomes relative to their costs. Although it may sound simple, this would be an iterative process requiring political will and technical expertise. The quality of planning and decision making can progressively improve, if the process is credible and has political backing.

### *Linking plans to the budget*

Sectors must go through a more rigorous intra-sector prioritisation process during the planning phase than they do at present. However, there needs to be an incentive framework that promotes this and translates planned sector priorities geared towards the achievement of sector outcomes into budget allocations. This would improve the linkage between the PEAP sector plans and budget allocations.

A key discipline would be if the LTEF allocations were effectively translated into MTEF allocations, and these allocations, or sector shares at least, were actually fixed, and importantly, seen to be fixed. This would move attention of the sector away from efforts to bid up sector allocations to improving the efficiency of medium term intra-sector allocations. Also, sector review processes need to be formally linked in with the budget process by being given a clear target setting agenda, but with specifications set by the Ministry of Finance. The role of sector working groups would be that of formal representatives of the sector in the budget process. A major element of sector reviews are taken up with issues of aggregate sector financing and general fiduciary concerns at the expense of strategic thinking towards improving efficiency and effectiveness within existing allocations. These should be taken up as inter-sector allocation and general budget-wide issues, and not as part of the sector level debate.

## 7.2 Improving agency performance

### *Variations in agency performance*

In both the central agencies and local governments, one can see that there is substantial variation in performance without necessarily a substantial variation in resource endowment and technical skills. This implies that agencies are often well within their 'production possibility frontiers'. This implies that for a given set of inputs, some agencies will achieve different quantities of outputs than others.

[31] See MFPED, PEAP Revision Inception Note

[32] See Williamson and Ndungu, 'Financing Poverty Reduction in Uganda – a review of the Poverty Action Fund',

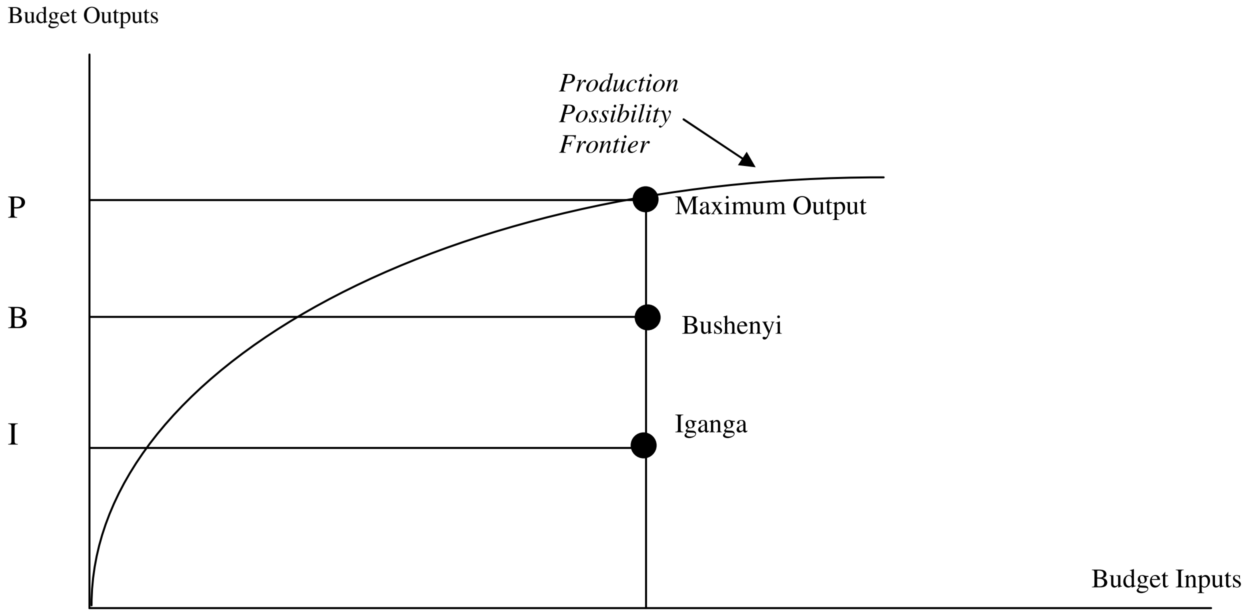
In our investigations we found that there are a whole host of non-financial factors which influence agency performance, including leadership, management skills, political involvement, ownership, incentives and relationships with end users.

It was evident that the use and application of results-based frameworks substantially varied. It is important to note that the successful application of results-based frameworks is not a prerequisite for good performance – a case in point is the Ministry of Finance, which has not been very effective at using ROM in its day to day operation but is considered a good performing institution. The use and application of ROM and OOB has improved performance but they should be seen as planning and management tools, which will help to identify, but will not, in themselves, solve some of the more inherent structural and capacity problems within agencies.

## *Linking budgetary and management reforms*

The output orientation of the budget process is relatively superficial, particularly at central government level as it is not fully embedded into the systems for service delivery, both centrally and within local governments. In Uganda, budgetary reforms have not been effectively hard- wired to the management reforms being spearheaded by the Ministry of Public Service.

**Chart 3: The need to tackle inefficiency – agencies within their production possibility frontiers**




It can be argued that in Uganda the focus on programming and performance at the sector level has been at the expense of ensuring that the roles of individual institutions in achieving results are clearly articulated and those institutions are actually held to account for achieving results. This has been especially true at the central government level.

Whilst aggregate sector allocations are justified in terms of results, agency plans and budgets are often not justified in terms of results, and specific outputs are not developed for specific institutions. The ROM initiative has, independently attempted to strengthen the results-orientation of these agencies, without explicitly linking it to the budget or more general public expenditure management process. A key lesson from Uganda is the need to link or at least align results-based management reforms with budget reforms at the outset. If a sector wide approach to budgeting is used, then provisions for agency planning and budgeting by institutions should be part and parcel of the approach.

In Uganda the ROM initiative therefore now needs to be explicitly linked to OOB, and the budget preparation and implementation process. Agency strategic objectives must be consistent with sector objectives and outcomes. The purpose of the ROM initiative should be explicitly to translate output targets agreed and assigned to the agency as part of the sector wide planning and budgeting processes, into agency activities within particular departments. The next stage is for the agency to allocate available inputs towards the execution of those activities. The allocation of inputs and identification of activities should be participatory, and involve discussions of line managers with staff, and managers with agency leaders.

**Formalising the requirement for annual agency workplans**

All agencies within government should be required to prepare annual Performance Plans or Workplans alongside their budget estimates, setting out the intended results from expenditures and other inputs for the coming financial year. Such a requirement will be assisted by draft Public Finance Act (which is due to be tabled to Parliament in early 2003), which will institutionalise the need for individual agencies (votes) to identify intended outputs in the budget submissions.

Also the forthcoming IFMS should help, if outputs are embedded in the new chart of accounts. This chart of accounts not only provides an opportunity to classify expenditures but also results. The IFMS will also help by integrating the recurrent and development budgets, and this will make it easier to assign results to individual departments. These initiatives should not, however, be seen to be parallel to the ROM initiative, but be seen as a formalisation of what has been introduced under ROM within the agency budgeting process. If this is done, it will assist in ensuring that the results-based planning, budgeting and management framework is comprehensive and consistent. For example, the statement of outputs required under the Public Finance Bill would be the annual performance plan prepared by a ministry under ROM which would be presented in association with the draft estimates. This would better institutionalise the ROM process and link expenditures with actual results.

**Reporting on results**

Clearer methods of internal reporting on results need to be developed, formalising the link between the annual work plan and budget implementation. The focus needs to be on the provision of performance information to appropriate levels. This also needs to be linked to the new performance appraisal system being rolled out by the Ministry of Public Service.

Comprehensive mechanisms for budget reporting between government agencies, incorporating information on activities and outputs funded by all funding sources, should be promoted. This is being proposed under the Fiscal Decentralisation Strategy for local governments, however, the same principles should be applied by central ministries as well.

Managers may not consider results-based budget reporting useful, and it is unlikely, if they are not compulsory, that they will be prepared. However, as managers learn by doing, it can be seen that results-based practices are used more and more by managers in planning and budgeting implementation. Therefore budget reporting on results against the annual work plan should be compulsory for all agencies, not just local governments.

Agencies or managers receiving the reports must also develop the capacity to analyse reports and verify the information through monitoring. Otherwise, budget reporting runs the danger of becoming a paper exercise.

### *Linking results-based practices to institutional incentives to perform*

Institutions must have strong incentives to perform, and not just to use results-based practices. The Local Development Grant under LGDP has shown that strong institutional incentives, linked to assessments of agency performance can be important motivating factors to improve administrative performance.

Proposals are underway to create stronger incentives for local government agencies to perform through the Fiscal Decentralisation Strategy. If, as is proposed, in future performance rewards are linked to budget efficiency – i.e. value for money in the achievement of service delivery outputs, then the application of rewards and penalties should remain equitable.

Initiatives, which give incentives to performance and are strongly linked to the implementation of results-based approaches should be encouraged. They help create incentives for the application of results-based approaches and performance in itself.

### *Leadership and management*

It is impossible to shy away from the fact that probably the two biggest variables in an institution's performance is the quality of leadership and management, both political and administrative. This was illustrated with the stark comparison of the performance of Bushenyi and Iganga Districts.

Management reforms have been relatively unsuccessful in Uganda because of the unwillingness or inability to change entrenched practices, and a relatively closed and bureaucratic management system. Although Uganda has one of the most open budget processes, this has not permeated into the management of institutions. The ROM reforms have been implemented softly and not tied to disbursement of funds – which means that in reality ROM has had little impact on how staff are managed.

A major conclusion is that leadership and management reforms, and policies to attract, and give performance incentives to strong institutional leadership should be given similar priority as financial reforms. In fact a pre-requisite for successful financial management reform is strong leadership and management within the Ministry of Finance.

### *Local governments and service delivery*

Another critical observations to be drawn from the Ugandan experience is the importance of local government performance in the context of decentralised service delivery and the successful application of performance management practices therein. Uganda created a results-based planning and reporting framework for local governments that has evolved quickly and relatively successfully, although there is an obvious need for focus on systems within local authorities themselves. This has allowed a significant focus on the performance of local authorities which would have not been there otherwise. The information generated has highlighted problems as well as successes in implementation. Results-based Frameworks do not always present the solutions to these problems, but at least now there is more awareness of service delivery.

It is important to note that the role of local authorities is not just to deliver services. They have to supervise, monitor, evaluate and support service delivery in their areas and their role in this is probably more crucial to service delivery than the central government monitoring local authorities. The comparison of Bushenyi and Iganga has shown that there can be substantial differences in the quantity and quality of services being delivered on the basis of functioning of the district level administration.

There are clear tensions between the centrally driven process of setting national poverty reduction outcome and output targets in the PEAP, and SWAPs, and the promotion of local choice. This far central government has tended to make decisions increasing the centralisation of funds, as poor performance has been observed. A better balance that needs to be struck between the setting of national targets and conditions on the use of inputs (which are intended to help ensure that these targets are met) and the need to give Local Authorities the latitude to make optimal choices within their jurisdictions. This should take place with the implementation of the Fiscal Decentralisation Strategy.

## 7.3 More efficient and effective government

### *Coordination of monitoring and evaluation arrangements*

Uganda has a plethora of monitoring and evaluation systems, along with a multiplicity of reporting and review mechanisms. This means that there is much confusion and overlap. This is beginning to improve because there is a new desire to coordinate within government, and the PEAP process provides a focus for that coordination. A clearer institutional framework for implementation and monitoring of the implementation of the PEAP at the outset would have resulted in the avoidance of some of these problems; however, they can be addressed.

There are also initiatives underway to improve the coordination of government systems, through a committee spearheaded by the Office of the Prime Minister. A natural order of government-led sector and budget reporting and review is emerging which reflects the structure of government. The Poverty Monitoring Strategy sets out the building blocks of a more coordinated system; however, the major challenge is more likely to be political, as many institutions feel it is their role to lead the coordination monitoring activities. However, so long as donor projects exist, and central government funding to agencies is fragmented, there are likely to be some parallel reporting and performance measurement systems and requirements.

### *Closing the gaps in the performance management cycle*

The Uganda experience is that results-based frameworks can add value to the Public Expenditure Management processes and this has led to improved decision making at most levels of government. Even if performance management systems in a country are not all consistent, as is the case in Uganda, overall they tend to add value and they should be encouraged. The improvementsin results-orientation of the budget process has happened over a five year period and the quality and coherence has constantly been improving.

The basic elements for performance management in Uganda are already in place, although there is need for refinement. The use of targets and results should not be seen an exact science, and it should never be introduced as one, but it is an approach that has enabled Uganda to improve the focus of its public programmes. The setting of rigid targets is not the most important element of the processes; it is more the discipline of thinking at every stage from planning to implementation of the effect of the decisions agents make on performance.

The information provided by performance management systems is not always acted on and sometimes does not always present solutions to the problems they identify. Concern is growing over the effectiveness of government policies given the lack of improvement in some outcome indicators. Where the solutions are evident to implementation problems, there is often no political will or incentive to enforce the necessary changes. The major challenge in the future is to ensure that this gap in the performance management cycle is closed and that technical capacity and political commitment is built to ensure better decisions can be made.

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# Annex 1: Comparison of Results-based Practices In Sectors

| | **Education** | **Health** |
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| ***1 BACKGROUND TO SECTOR*** | | |
| *1.1 Status of Sector* | In Uganda the literacy rate was 65% in 2000, however there is a substantial gender disparity, with only 57% of women being literate.<br><br>With the introduction of Universal Primary Education in 1997 the enrolment of pupils in primary education increased from 2.5 million to 5.3 million overnight, and enrolment is currently at about 5.9 million.<br><br>In 2000 there were 590,000 (largely fee-paying) pupils enrolled in GoU secondary schools, and 8,000 state sponsored students at university. | In 2000 infant mortality was recorded at 68 1001 per 1000 live births, and the infant immunisation rate was at 38%. Maternal morality was at 496 per 100,000, and 38% of deliveries were supervised by skilled health workers. A major problem in the health sector has been that these indicators have either deteriorated or shown little improvement despite increases in expenditures. A major exception has been the success in reducing the HIV prevalence rate to under 6.1% in 2000.<br><br>In Uganda over 3/4s of premature deaths are caused by 10 preventable diseases. The most important of these are: malaria, respiratory tract infections. AIDS, diarrhoea, and prenatal and maternal conditions. |
| *1.2 Policy Background* | In 1992 Uganda's Government White Paper on Education was published on the basis of the recommendations of the Education Sector Review Commission. Central to the White Paper, was the proposal for Universal Primary Education. It was only after 1996 when President Museveni put UPE forward as a key element of his election manifesto, was action taken. UPE was launched in 1997 and was central to the 1997 PEAP.<br><br>Concurrently the formulation of the Education Sector Investment Plan (ESIP) was initiated, as a means implement strategically the UPE initiative and the earlier policies that had been developed. The ESIP document sets out an investment strategy for the whole education sector. The priority programmes have all been within UPE. The increase in enrolment was accompanied by programmes for training and recruitment of teachers, classroom construction and purchase of textbooks. A feature of UPE has been the priority given to infrastructure (e.g. classroom construction) over the provision of instructional materials (e.g. text books).<br><br>The ESIP is due to be revised in 2003, following a review of the implementation of the following ESIP. Additional focus is to be placed on educational quality and the reform of post-primary education. | The Health Sector started to reform its policies in the mid 1990s. Primary healthcare was identified as the key sector priority in the 1997 PEAP. The reforms culminated in the finalisation of the National Health Policy in 1999 and the Health Sector Strategic Plan (HSSP) in 2000.<br><br>The delivery of primary healthcare remained the key priority of the sector. Central to this is the delivery of the Uganda National Minimum Healthcare Package (MHCP). Supported by this are the principles of equity, quality, efficiency and accountability.<br><br>The HSSP sets out the framework through which the overall Health Policy and primary healthcare via the MHCP is to be implemented. The MHCP priorities involve:<br>• The control of communicable diseases<br>• Integrated management of childhood illness, Sexual and reproductive health<br>• Other public health interventions (immunisation, nutrition, environmental health etc)<br><br>In 2001, during his election campaign, President Museveni announced the abolition of user charges for health services, which has since been implemented. |

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| *1.3 Institutional framework* | The Ministry of Education is the lead institution in the sector and is responsible for policy formulation, and development of the ESIP. Local Governments are responsible for the delivery of Primary and Secondary Education. The major tertiary institutions are run as semi-autonomous agencies, as are institutions such as the Education Service Commission, and Uganda National Examinations Board.<br><br>There is biannual ESIP review process, where progress in implementation is discussed in an open stakeholder forum (government, civil society, donors and the private sector are represented), and actions for improvement are agreed (including service delivery targets). The ESIP review process also acts as a framework for donor coordination. The review process is therefore fundamental to the implementation process, because it is not just an annual stakeholder review of ESIP implementation, but also the forum by which major future policy initiatives and where targets for service delivery are agreed. | The Ministry of Health is the lead institution in the sector and responsible for policy development, planning, monitoring and quality assurance.<br><br>The delivery of health services is highly decentralised. Districts are responsible for the delivery of preventative and basic curative services through a network of Health sub-districts. There remain national hospitals responsible for tertiary healthcare, and other semi autonomous agencies responsible for drugs, recruitment, standards etc<br><br>Like Education there is a biannual Health sector review process, where implementation of the HSSP is discussed by stakeholders. Major future policy reforms, sector programmes and service delivery targets actions are agreed at these reviews. The HSSP is also the framework for donor coordination, helping to ensure that all donor programmes are aligned with HSSP implementation. |
| *1.4 Funding Situation`* | Until the development of the ESIP the recurrent budget of the education sector was largely funded by government, whilst capital projects were funded by donor financed capital projects.<br><br>The GoU recurrent UPE budget received a substantial boost in 1998 when Uganda first received HIPC debt relief, a substantial proportion of which was channelled towards UPE via the PAF.<br><br>The finalisation of the ESIP, and the associated donor coordination mechanisms encouraged donors into channelling substantial resources through the GoU budget as earmarked support to the education sector. Earmarked donor budget support made up 20% of the GoU Education Sector budget in 2001/2, whilst the remainder of funding comes from a combination of HIPC debt relief, general budget support and local revenue. Only 11% of education sector expenditure is via donor projects. Donor agencies agree common disbursement modalities and conditions for budget support with GoU during the ESIP review process.<br><br>In 2001/2 overall education sector expenditure stood at approximately \$13 per capita, \$12 of which is channelled via the GoU budget.<br><br>GoU allocations to the Education sector over the ESIP period (1997/8 to 2002/3) have risen dramatically, with a near doubling in real terms, from Shs215bn to Shs 427bn (200 prices). The sector allocation has remained at about 25% of the entire GoU budget throughout. Roughly 60% of this sector budget is allocated to | Historically the financing of the health sector has been very fragmented with several donor projects funding different activities. Unlike education, a lot of the recurrent health activities (e.g. immunisation) were funded by projects as well as capital investments.<br><br>Prior to the development of the Health Policy, the financing of decentralised primary service delivery received a substantial boost, with HIPC debt relief and the formation of the PAF in 1998.<br><br>The approval of the HSSP prompted a consolidation of donor aid support into budget support. As with education, donor agencies agree common disbursement modalities and conditions during the biannual review process.<br><br>Unlike education, however, there was not a huge increase in aggregate sector financing. In 2001/2 donor projects still made up 44% of sector funding (down from 59% in 1999/00).<br><br>In 2001/2 overall health sector expenditure stood at approximately \$8 per capita, just over \$4 of which was channelled via the GoU budget.<br><br>GoU allocations have over doubled in real terms from Shs 63bn in 1997/8 to Shs 145bn in 2001/2 (2000 prices). In 2001/2 this equated to approximately 10% of the discretionary GoU budget up from 8%. In 2001/2 59% of the GoU budget allocation to the health sector was channelled to local governments and 2/3 of that was allocated specifically towards primary healthcare. |

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| | the primary education, and this percentage has remained largely consistent over time. | In 2001, during the presidential election campaigns, the President announced the abolition of user fees for patients seeking treatment at government health centres. |
| *1.5 Political & Institution al Commitment* | UPE is a policy that has had high profile political backing especially from the Executive. There is therefore widespread and substantial political commitment to the Education Sector and understanding of what is involved in the delivery of education services.<br><br>This has resulted in substantial political ownership of the education policy and ESIP. This has facilitated the institutional commitment to the processes and has undoubtedly been crucial in the successes of ESIP implementation. | There is high level political commitment to the delivery of health services, and the implementation of the HSSP. However, what is required to improve healthcare in Uganda is more complex and therefore less well understood politically.<br><br>The evident political commitment and relatively strong ownership of the HSSP within the Ministry of Health, has helped the alignment of the ministry and local governments towards HSSP implementation. Provided that the HSSP does provided an effective solution, this bodes well for the future. The sector, however does not enjoy quite as much support as UPE and there is still a substantial financing gap in implementing the HSSP, and the sector is still greatly reliant on donor finance. |
| ***USE OF RESULTS IN SECTOR PLANNING & BUDGETING*** | | |
| ***Long Term Sector Planning*** | | |
| *2.1 Description of sector plans* | The Education Sector Investment Plan was finalised in 1998, after consultative process between government, donors and civil society. There are five key policy priorities in the ESIP:<br>1. Expanding equitable access to education at all levels (with emphasis on Universal Primary Education)<br>2. Enhancement of the quality of instruction, particularly at the primary level.<br>3. Enhance the management of education at all levels, especially local governments.<br>4. Development of the capacity of the MoES to plan, programme and manage the education sector.<br><br>The ESIP sets out strategies for the achievement of these objectives, and specific targets for their achievement. The ESIP also sets out the costs for the achievement of these objectives<br><br>It is important to note that the ESIP is an investment plan, and so does not cater for aspects relating to recurrent expenditures. This means that efforts to improve quality focus on teacher training rather that recruitment and training together. | The 5 year HSSP was finalised in 2000. It was prepared after the finalisation of the National Health Policy. Both were developed in an open and transparent manner.<br><br>The overall objective of the HSSP is to 'reduce morbidity and mortality from major causes of ill health and reduction of disparity amongst various groups and regions'. There are five key programme 'outputs' (it is questionable whether these are outputs, more analogous to policy priorities in ESIP) within the HSSP:<br>1. Implementation of the Minimum Healthcare Package<br>2. Strengthening of the Healthcare Delivery System<br>3. Strengthened and operational legal and regulatory framework<br>4. Integrated support systems strengthened and operational<br>5. Policy planning & Information systems operational<br><br>As with the ESIP the HSSP sets out strategies to achieve various outputs/objectives. These strategies are not limited to actions by the health sector but also the actions required by other sectors. For example to reduce the incidence of diarrhoea and other communicable diseases, sanitation is a very important intervention – this requires actions in sectors such as education (construction of school latrines and the teaching of health education) and water (construction of water points), as well as the health sector<br><br>The HSSP covers both recurrent and development expenditures – i.e. is a comprehensive development plan, and not just an investment plan. |

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| *2.2*<br><br>*Use of Performance indicators and targets in sector plans* | There is no overarching goal or mission statement for the ESIP. After each strategy for the ESIP objectives are a set of quantified targets. These targets tend to be outputs, and not outcomes. There is, however no distinction between outcome and output indicators. It is therefore unclear what overall impact the ESIP should have and how it will be measured.<br><br>The emphasis in the ESIP is on outputs relating to the quality and quantity of education services to be delivered in the sector. A lot of the indicators are process outputs (i.e. development of a plan/policy/strategy) rather than quantifiable indicators. | The HSSP sets out a logical framework which attempts to link programme outputs to the achievement of the goal and purpose of the HSSP.<br><br>The HSSP has a clear overarching objective. Specific outcome indicators are identified and targets set in relation to these outcomes. Outputs are initial identified at the programme level, however this division into programme is not followed throughout the plan and there are further outputs identified, and it is unclear how they relate to programme 'outputs' and sector (Intermediate) outcomes.<br><br>Performance indicators are also specified in relation to each output (whether tied to a programme or not). Some of these output indicators are process, and some of them are quantifiable. Where they are quantifiable, targets are not always set. In some cases targets for other sector outputs are set (e.g.. safe water coverage). |
| *2.3*<br>*Examples of Targets Used in Sector Plans* | Examples of targets specified in each ESIP objective include:<br>1. Access: Completion of 12,000 classrooms by 1999 and construction of 25,000 classrooms by 2002<br>2. Quality: A one to one pupil to textbook ratio<br>3. Management: 250 district education officers trained on effective provision and monitoring of primary education, all district inspectors retrained<br>MoES Capacity: development of strategic planning and policy formulation capabilities | Examples of outcomes targets to be achieved by 2004/5 include:<br>1. Reduction in infant mortality to 68 per 1000 live births<br>2. Reduce HIV prevalence by 25%<br>3. Stunting reduced in under 5's to 28%<br><br>Output targets include:<br>1. Increase in the effective treatment of malaria within 24hours from 30% to 60%<br>2. organisation/management and financial systems operational |
| *2.4*<br>*Formulation of plan indicators and targets* | The absence of outcome indicators, reflects the lack of an overall goal to the ESIP, and identification of the Education sector's contribution to wider poverty outcomes.<br><br>Targets and indicators have been elaborated and refined over the past few years during the budget annual review processes Alongside the 'development' targets, recurrent output targets have been established.<br><br>Under the Poverty Monitoring Strategy certain sector outcome indicators have been identified. However it remains to be seen whether these indicators and the associated targets are adopted/supported by the Education Sector, as they were identified outside the sector review process. | The targets in the HSSP were developed and agreed during the consultative preparation process for the plan. However it is not apparent that the targets related to Intermediate outcomes are fully justified. How the specific public sector interventions set out in the HSSP specifically contribute towards the achievement of these targets is unclear.<br><br>Although the component of the Minimum Healthcare Package is explained in the HSSP, the service delivery output targets do not seem to be related to specific costed strategies. The costing of the MHCP is therefore done by inputs (e.g. drugs and fuel), and those inputs are not related to the output indicators identified in the HSSP programmes (e.g. treatment of specific diseases). |
| *2.5*<br>*Costing & Financing of Plans* | The ESIP is divided into programmes, and each programme is aligned to the sector. There are a services of sub-programmes that relate to specific intervention areas, however there is no specific costing of outputs indicators, just indicative costing of programmes. | The costing was not on the basis the component programmes and achieving the associated results – the costing instead was largely facility based, where estimates were made on the recurrent costs for delivering the MHCP in different levels of health centres, and the capital costs in terms of construction of health facilities. This means an important |

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| | More detailed costing was carried out over time as specific programmes were designed contained in the ESIP were designed in detail. | opportunity was lost in terms of linking the budget to planned results and targets. Instead the value and distribution of inputs.<br><br>The costing of the Ministry of Health activities was not results-based – figures were just drawn from the MTEF without any attempt to justify allocations in terms of results. |
| *2.6 Relationship & consistency of Sector Plan and PEAP Indicators* | The ESIP was developed at a similar time to the original PEAP developed in 1997. UPE is central to both the 1997 PEAP and ESIP. The revised PEAP maintains UPE as a key priority, and draws from the ESIP. The revised PEAP does however reflect the refinement in definition of output targets that was subsequently carried out. The Poverty Monitoring Strategy goes a stage further and identifies sector outcome indicators. | The PEAP draws directly from the HSSP, and the key strategies are highlighted. The targets in the PEAP are over a 3 year time horizon, shorter than that off the HSSP and correspondingly less ambitious. The actual indicators used are consistent. |
| ***Medium Term Budget Formulation*** | | |
| *2.7 Sector budgeting process* | Given that the vast majority of sector financing is through the GoU budget, the Ministry of Education's engagement in the budget process is important for ensuring effective implementation of the ESIP. The Education Sector Working Group, which is made up of key stakeholders from inside and outside government, prepares the sector Budget Framework Paper in which sector progress is reviewed and the sector's budget strategy for the medium term (3 years) is set out.<br><br>As well as being considered by Cabinet & Parliament, the BFP is reviewed at the Education Sector Review in April, which allows stakeholders, including funding agencies to discuss the budget strategy.<br><br>The Education Sector has tended to be cited as a good or even model performer in the sector BFP process. There is, however, concern that the quality and time being lent to the BFP process has been sacrificed, with more attention being placed on the biannual sector review processes. | The Health Sector Working Group is responsible for preparing the medium term budget strategy for health in the BFP. As with education the sector review process also takes on an important role. Budget strategy is considered by the health finance committee, and the BFP is considered by the April health sector review.<br><br>There was a fair amount of controversy surrounding the health sector over the last budget cycle, and tension has emerged between the MoH and MoFPED. A lot of this surrounds the fact that MoH did not receive the further increases in the health sector ceilings that they hoped, in line with the Health Financing Strategy leaving the HSSP under-financed. The emerging macroeconomic constraints, which limit the absorption of foreign exchange into the economy, meant that MoFPED was only able to accept some earmarked donor budget support on offer to the sector, if it did not increase the health sector ceiling. The situation was not helped, by the fact that certain health indicators have been declining despite previous increases in funding to the sector. |
| *2.9 Results, Indicators and Targets used in BFP* | The targets in the education sector have evolved and been refined since the preparation of the ESIP. The three main targets set in the BFP are in relation to:<br><br>1. Pupil to teacher ratio<br>2. Classroom to teacher ratio<br>3. Pupil to textbook ratio<br><br>Sector targets still remain almost solely output-based. Few Intermediate outcomes have been defined which reflect educational quality. There is therefore | The indicators in the HSSP were more refined than those in the ESIP, however in the health sector BFP (2002/3 to 2004/5) there is not mention at all of the health (Intermediate) outcomes apart from the HIV prevalence rate.<br><br>Like the education sector only output indicators are mentioned:<br>1. Outpatient Utilisation<br>2. Immunisation (DPT3) Coverage<br>3. Deliveries Supervised by trained health workers<br>4. Approved posts filled by trained health workers. |

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| | now easy way of linking the outputs above to improvements in the quality of a child's education.<br>The BFP does identify policy challenges and reforms to be undertaken in the next financial year in various sub-sectors, which represent MoES activities. | In the BFP it does not appear at all clear what the role or outputs of the MoH will be over the Medium Term. |
| *2.10 Formulat ion of medium term/ annual sector targets in the budget cycle* | Targets in the BFP are drawn from the ESIP, however the targets are grouped by sub-sector as opposed to policy priority.<br><br>The specific medium term output targets set out in the BFP are agreed during the April sector reviews – ideally this should just be the targets for the outer MTEF year as the first two year's targets would have been agreed previously. The earlier targets are revised if necessary on the basis of a review of past performance.<br><br>There is concern that the process of target setting is being delinked from the budget. Although it is important that decisions on ESIP implementation are made at the sector reviews, this needs to be bound by the budget process which ultimately constrains what can be achieved. Unrealistic and over ambitious targets were set by GoU and agreed with donors in the early phases of ESIP implementation. The failure to achieve these targets was not a symptom of commitment (political and institutional) on GoU's part, but more technical capacity in target setting, and linking those targets to availability of inputs – both financial and in terms of human resources. Given the sector capacity in target setting, donors were guilty of pushing the sector beyond what was feasible, given available inputs. | From the review of the BFP there appears little systematic linkage between outputs and allocation decisions over the budget process. The analysis in the BFP however tends to focus on inputs, for example mentioning targets relating to per capita drug expenditure. This is not related to specific output targets, which are just seen as the requirements of OOB rather than relating those targets.<br><br>This is somewhat due to the increasing importance being given to the biannual joint reviews of health sector implementation. The focus at these reviews is on agreement between government and funding agencies on future actions and targets in the sector (other stakeholders are also involved), from a technical perspective (by health practitioners), which is therefore less embedded in the budget process, as with the education sector. This means that targets discussed and agreed tend not reflect the need to monitor and improve budget efficiency and budget effectiveness. |
| *2.11 Costing of Targets* | Specific quantifiable output targets such as teacher recruitment or classroom construction are costed in the BFP, and specifically related to budget allocations. Output and funding gaps are illustrated, showing desired (ESIP) output/funding levels and achievable output/funding levels. However activities and outputs of the Ministry of Education itself are not costed and used as a justification of the ministry budget. | Output targets in the BFP are not explicitly costed and linked to budget al.locations. Meanwhile the health sector has been advocating hard for increased sector allocations, because of the severe funding shortfall in financing HSSP implementation. Without clearly articulating how proposed funding allocations will actually improve specific output indicators such as 'Timely Malaria Treatment', it is less likely that the sector will receive the increases in funding that it is seeking. It is important to bear in mind that this process is inherently more difficult that sectors such as education and roads. |

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| *2.12 Who is responsible for achieving targets?* | The role of LGs in service delivery relatively clear, however there are problems emerging in two areas:<br>• In the absence of specific targets and output indicators the specific responsibilities of central government agencies in supporting service delivery, and the specific role of the MoES vis a vis the Education Service Commission and Standards Agency is unclear.<br>• The responsibility for the quality of education between central and local government is unclear. Primary Teachers Colleges remain controlled by central government, however they have staff in every country conducting on the job training of teachers. District school inspectors are also supposed to supervise teachers. When teaching is of poor quality, who is responsible, the PTC or the District? Similarly after a spate of poor quality classroom construction, MoES has posted engineering assistants to every districts. If construction continues to be of poor quality who is responsible?<br><br>In all the examples above, it is possible that in future different institutions will be able to blame the other for poor performance, as there is not a clear line of responsibility for ensuring the quality of education. | The delineation of responsibilities between agencies is fairly clear, especially between those providing services at the centre and those developing policy and supporting services within the health sector. The existence of donor projects administered by the Ministry of Health does occasionally confuse this, but it is not a major problem..<br><br>There are two key challenges in the health sector:<br><br>• To identify specific results for central government agencies in the BFP, and hence justify central agencies budgets in terms of results ex ante, and ex post. This is especially important as the MoH<br><br>• The achievement of health outcomes is dependent on outputs performed by other sectors as well, and these results which are identified in the HSSP must be adequately planned and budgeted for by those sectors. This does not even appear an issue in the Health BFP because it only focuses on sector outputs, over which it does have control. |
| *2.13 Linkage of medium term/annual targets to long term plans* | The BFP process has worked well in the education sector, in terms of ensuring implementation of the ESIP is reflected in budget preparation and execution. The budget allocations, certainly in the areas of service delivery, have been based largely on the strategies and targets set out in the ESIP. | The sector BFP is consistent with elements of the HSSP which specifically relate to the health sector, however it appears is far less comprehensive.<br><br>The Joint Health Sector Review Process, however is more explicitly linked to the HSSP, but this has not filtered into the BFP documentation. This is more a reflection of the disjoint between results-based planning and the budget itself. |
| ***3 USE OF RESULTS MINISTRIES AND CENTRAL AGENCIES*** | | |
| ***Ministry/Central Agency and Sector Performance Targets*** | | |
| *3.1 Ministry Goals and Targets* | The Ministry of Education takes its role from the Constitution, however this does not appear to have been translated into an overarching Mission Statement for the ministry.<br><br>The Ministry, Education Standards Authority, and Education Service Commission outputs are agreed with stakeholders during the Education Sector Review process, and are set out in an aide-memoire at the end of each review. These outputs have a time frame, and are, by nature, consistent with ESIP implementation.<br><br>We were unable to obtain a copy of the MoES Annual (ROM) Performance Plan, so were unable to ascertain whether the specific actions agreed during the sector | As part of the ROM initiative the MoH has developed an Annual Performance Plan. In this plan the MOH has a set of strategic objectives which are consistent with the Health Policy and HSSP. Associated with these objectives are a set of key outputs which are drawn from the HSSP, however some of these outputs are actually not specifically for the institution itself – for example the ‘delivery of the MHCP’ is cited, yet this is largely the responsibility of Local Governments.<br><br>However various performance indicators are identified which are specifically related to actions that the MoH is responsible for. For example the activities related to the delivery of the MHCP include ‘policy formulated and agreed, tools and methodologies developed, standards set…….’ in the key intervention areas. These types of indicators are effectively the specific output targets for the ministry; however they are mixed up with indicators |

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| | review process were consistent with the annual performance plan. On the MoES website ministry ROM outputs are mentioned in general terms, but specific benchmarks for each year are not. | over which the Ministry does not have control. This undermines the ability of the ministry to priorities its own interventions.<br><br>The ministry targets were developed collaboratively by the departments within the ministry, however they were strongly (and rightly) influenced by the HSSP. This means that they are embedded in the sector-wide approach, but the major problem is they do not clearly articulate the role of the ministry specifically |
| *3.2 Cascading of results down ministry /agency structure to departments, sections and individual staff.* | Outputs are identified for specific departments within the ministry, which are, in the responsibility of the ministry. These outputs however do not have associated targets, and effectively relate the type of activity each department should carry out.<br><br>It was observed that the planning department had a lot of responsibility relative to the line departments (for primary and secondary education). As it is responsible for managing the ESIP process, the planning department seemed to take on activities across the whole sector, which may otherwise by done by line departments. For example the guidelines for the use of UPE and SFG grant funds by districts were developed there rather than the Primary Education Department.<br><br>Although there are explicit job descriptions, highlighting the roles and responsibilities of each member of staff, these are not translated into explicit targets for individual staff. | Individual departments within the ministry identified their own key performance indicators, and prepared departmental workplans, consistent with the HSSP.<br><br>The Permanent Secretary chairs regular meetings with heads of department, where they are required to report on progress against their pre-agreed targets at these meetings.<br><br>The annual performance and departmental plans do not go so far as establishing targets for individual staff. |
| *3.5 Linkage Ministry Targets to Sector Budgets and Plans* | The sector BFP does mention various activities, usually policy reforms, which are the responsibility of the ministry, and in doing so, they are explicitly mentioned in the budget process. Similarly specific actions or benchmarks of the MoES are identified in sector review documents.<br><br>These activities/benchmarks are not, however explicitly linked to the budget, and such activities may not necessarily have substantial budgetary implications (i.e. they only draw on staff time). | This consistency of targets identified in the annual performance plans with the HSSP reflects the degree of ownership of the HSSP within the ministry and by its leadership.<br><br>The annual performance plan, is however not explicitly linked to the budget. There is no mention of the outputs of the Ministry of Health in the Sector BFP.<br><br>The outputs and targets are increasingly becoming realistic, and hence more related to the availability of resources – this is because heads of departments performance are being reviewed against the targets they set themselves. A major reason for this coherence and improvements is the personal involvement of the Permanent Secretary. |

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| *3.6 Managers Control over Inputs to achieve results* | Managers have little flexibility over the use of inputs to achieve results. Some managers did not see this as a constraint, as they felt they could perform their duties adequately without much flexibility. There was however concern in some quarters that there was not much flexibility in the ministry, which was run bureaucratically, and this stifled creativity. They felt that they were not managers but administrators, and were expected to do as they were told. | The line department in MoH interviewed described the process as identifying the outputs he would want to achieve, and then identify sources of funding to assist him in achieving – only part of this was engaging in the budget process, as donor projects were still a major source of funding for his department.<br><br>This means that sometimes the outputs that eventually get funded may not necessarily be those that were what he considered highest priority in the HSSP. The source of finance sometimes influences the specific targets that are set. |
| *3.7 Management of staff to produce results* | Managers have little flexibility over the number of staff and remuneration. Although managers were generally happy with the quality of staff, and felt no need to discipline them, some managers were unhappy with the number of staff in their departments.<br><br>Managers felt the new performance appraisal of staff would help them in their ability to manage staff effectively. | Although departmental managers have little control over the number and remuneration of staff, those interviewed were at least relatively happy with the staff structures. The managers interviewed had not felt the need to discipline staff.<br><br>Managers were aware of the shortcomings of the current system of 'confidential reports' being used to appraise individuals performance. They were cautiously supportive of the new performance appraisal system being promoted by MoPS which will involve open discussions of staff performance between staff and managers. |
| *3.8 Incentives and Rewards for Achieving Results* | Although there were not formal mechanisms for reward, the Ministry wanted to introduce a reward system which involved recognising and praising high performers. In the absence of this the allocation training and travel were seen as ways of rewarding good performers. | Managers had little ability to reward staff for good performance. Training, travel abroad & inland were cited as the only tools managers had available to reward staff – each of these carries a financial element in terms of the associated allowances. |
| *3.9 Political Scrutiny of Ministry Results* | The Minister of education presents the results of the sector to the Standing Committee on Social Services in Parliament, and presents a Ministerial Policy Statement early each financial year to Parliament, which is discussed by the committee. The ministry budget is scrutinised as part of this statement. The focus, however is on sector performance and not on the achievement of the Ministry per se. | The Minister of Health is accountable for the results of the ministry to Parliament, and in particular the standing committee on social services. However the results of the ministry only get scrutinised as part of the health sector. The Ministerial Policy Statement looks at the sector's performance as a whole. Even here the focus tends to be financial and not necessarily relating the funds spent to the results achieved |
| *3.10 Contributions of donor financing, conditions and projects* | Although donor support to the sector has been streamlined through the ESIP, and so there are relatively few donor projects being administered by the ministry.<br><br>The focal point of donor interaction, and for agreeing conditions is with the planning department as it is responsible for coordinating the ESIP process. This contributes to the incentive for the planning department to carry out activities which are the role of line departments. | The development of the HSSP and the associated review processes have to a certain extent, streamlined donor support to the sector, however the ministry still has many donor funded projects that it administered. These projects do divert the attention of MoH departments and staff away from their core functions. Sometimes these projects are not aligned fully with the priorities of the HSSP, thus distorting the priorities of the ministry. |

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| *3.11 Other Factors influencing performance.* | The existence of a clear strategy, with targets set to achieve strategy were seen as important. However the  that sufficient resources are allocated to achieve these targets<br><br>Well-trained staff were also important. This was undermined by the fact that salaries are not very attractive, though they are better than they used to be.<br><br>Strong leadership was cited as key in the successful implementation of the ministry's policies and objectives. Leaders give direction and show commitment to achieving results, being ultimately responsible for planning and implementation. | The strong ownership and understanding of the HSSP within the Ministry of Health appears to have been crucial, in orienting the ministry towards achieving results. The interest, and involvement of the administrative leadership in ROM and the HSSP also has helped.<br><br>Also these reforms have taken place in the context of rapidly increasing budget al.locations for the Ministry, which have been generally disbursed and spent during budget implementation. It is a lot easier to plan for results in such a situation. For this additional funding to achieve results, the outputs targets of the ministry need to be more clearly distinguished from those of other agencies. |
| ***4 USE OF RESULTS BY LOCAL GOVERNMENTS*** | | |
| ***4 LG Sector Policy and Financing*** | | |
| *4.1 Role of LGs in Sector Service delivery* | Local Governments are responsible for the provision of primary and secondary education, whilst the Ministry of Education is responsible for monitoring the quality of education services within Local Governments.<br><br>The Education Department within a district or municipality is responsible for:<br>• Planning for the use of funds<br>• Co-ordination and management of education services<br>• Inspection of schools<br>• Management of the classroom construction programme<br>• Providing technical advice to the CAO and council<br>• Management of finances and the Primary Teachers' Payroll | District Local Governments are required to deliver the minimum healthcare package. This involves preventative and essential curative services.<br><br>Each district is divided into health sub-districts, which are the units responsible for the planning for and delivery of healthcare services. These 'sub-districts' roughly serve a population of 100,000.<br><br>The District Directorate of Health Services is responsible for:<br>• Co-ordination of health services in the district through ensuring work plans that are relevant and timely, catering for staffing requirements, equipment, staff approval, and related issues.<br>• Providing technical guidance to the CAO and the council. |
| *4.2 Sector Features* | The focus is on primary education. On average there are 160 government aided primary schools in a district and 2,000 thousand teachers. Countrywide primary enrolment is about 6.2 million which means approximately 100, 000 pupils are enrolled in primary schools in each district.<br><br>There are far fewer secondary schools, which an average of 38 government aided secondary schools and 220 teachers in a district, with an enrolment of 10,000. It is important to note that, unlike UPE secondary education is not free, and parents are required to contribute fees towards secondary schools' costs.<br><br>These figures vary substantially from district to district, depending on their size. | Most districts will have a district hospital, which is either government  run or run by NGOs, with supplementary funding from government. These will provide curative and preventive services and handle referral cases.<br><br>At each health sub-district there is a Health centre 4 which provides, preventative and curative services, with outpatient and inpatient services, handling minor surgeries.<br><br>Within each sub-district there is a health centre 3 at each subcounty (20,000 population), which provides outpatient services, and limited inpatient and maternity services. At the parish level (5000) there are Health centre 2s which handle outpatient services only. |

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| | The District Education Office is manned by a District Education Officer, supported by a deputy DEO, and a district inspector of schools. Inspectors of schools assigned to different areas (usually to a county). There also are education officers responsible for personnel management, and other programmes including sports, and special needs education. | |
| 4.3 Sector Financingconditions and guidelines | The major sources of funds for the operation of schools and the payment of salaries are via conditional grants transferred from central government under the Poverty Action Fund. In addition, there is also the Schools Facilities' Grant which targets classroom construction, purchase of furniture, latrine construction and the building of teachers houses. Often Local Governments allocate funds from the Local Development Grant towards in the sector including classroom completion and purchase school furniture. Over 80% of central government transfers to local governments are for Primary Education.<br><br>Oten the education department at the district/municipality loses out because the sector gets the most transfers from central government. There are however no conditional grant funding allocated to the department which is funded almost entirely from Local Revenue and the Unconditional Grants. This means the allocations vary from district to district and largely depend on the amount of local revenue collected by a LG and the political preferences of the LG to allocate resources to the sector.<br><br>There are various guidelines relating to the use of funds and the implementation of UPE in particular. Guidelines are largely prepared by the Ministry of education and Sports, and the Education Service Commission. Guidelines tend to focus on how to use funds on inputs rather than the outputs achieved by the funds – the one exception here is classroom construction, where reporting on implementation includes physical achievements. | Major sources of finance are conditional grants for primary healthcare, which make up over 70% of the transfers to districts. The remainder of government grants are allocated towards district and regional referral hospitals. Although labelled 'primary healthcare' the PHC grants fund both curative and prevented services in the health sub-district structure.<br><br>Unlike primary education and roads sectors, donor projects still can be a major source of sector LG financing. Conditional grants for primary healthcare are allocated on the basis of the number of health sub-districts, and household consumption (as a proxy for poverty). Allocations are not split between function (i.e. curative and preventative).<br><br>The operations of the DDHs' office is largely funded out of conditional grant transfers which means that it is not reliant on local revenue, and there is a relatively consistent level of funding across districts.<br><br>The Ministry of Health provides guidelines for the planning and use of central government grants and the health sector as a whole. Technical guidelines are also issued by the various line departments relating to areas such as public health, clinical services, disease control etc. |
| 4.4 Comparison between Bushenyi and Iganga | Bushenyi and Iganga have a very similar situation in terms of population and enrolment, although Iganga has a significantly smaller number of schools in both primary and secondary. The Education Office in Bushenyi is far better staffed than that of Iganga.<br><br>Bushenyi has 462 government aided primary schools with 4,031 teachers and 22,000 students enrolled. In total there are 75 secondary schools with 1209 teachers and 21,000 pupils enrolled. Of these 10,000 are enrolled in government schools. There are 15 technical staff in the DEOs office. The District Inspector of schools is assisted by eight inspectors. | Again Bushenyi and Iganga have a very similar service delivery structure, being similarly sized districts.<br><br>Bushenyi has 3 hospitals, one of which is Government owned. There are five health sub districts and four health centre fours. There are 26 out of required 29 Health Centre 3s.<br><br>Iganga has one district hospital. There are five health sub districts and four health centre fours. There are 21 out of a required 25 Health Centre 3s, andthere are 82 out of a required 125 health centre 2s. There are a total of five hundred staff employed in the district health sector. In the District Director of Health Services' Office there are 11 staff. |

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| | Iganga has 315 government primary schools with 3200 teacher, and 221,000 pupils enrolled. There are 67 secondary schools with 21000 students and 1000 teachers. Of these there are 15 government secondary schools with 382 teachers, and 8000 pupils enrolled. There are 8 technical staff in the DEOs office. The District Inspector of schools is assisted by four inspectors. | |
| | *Planning & Budgeting* | |
| *4.5 Overview of the LG planning and budgeting process* | Medium Term Planning for the Education Sector Is Carried out in the Context of the 3 year rolling district development Plan & the Local Government Budget Framework Process.<br><br>The MFPED provides ceilings for the conditional grant allocations (UPE capitation, SFG, secondary etc) in November on the basis of allocations from MoES. Schools are informed by the DoE's office of their allocations. At school level, the finance committee and school management committee plans and budgets for the school. The estimates are reviewed by the PTA, and the SMC finally approves them.<br><br>The guidelines for the UPE capitation grant, (which provides the operational funds for schools), stipulate to which expenditure areas funds should be budgeted for. The District distributes the funds to schools in accordance with enrolment.<br><br>The SFG allocations to districts are based on the facilities that should be built. SFG can be used for classroom construction, purchase of furniture, latrine construction, and the building of teachers. The planning process starts at the school where schools apply for a new classroom block, through the subcounty. The school applications are ranked in terms of need. Originally SFG could be used for classroom completion, but now it is for new construction only, as the structures to be completed were very often of poor standards. SFG workplans are prepared by the DEO's offices approved by the sector committee before being forwarded to the MoES.<br><br>Sometimes a parish or subcounty will also plan to construct facilities using the Local Development Grant, this is often for the completion of classrooms, purchase of desks and construction of Latrines.<br><br>The allocation process to the Education Department at the district varies between districts, and often the total budget allocation is undermined due to the fact that the conditional grant allocations to the sector are very large, and also local revenue collections are over inflated. | The Ministry of Health has advocated for Local Governments to prepare 5 year Health Sector Plans, in line with the National HSSP. This is inconsistent with the 3 year planning horizon for the rolling DDP and LGFP.<br><br>The MFPED provides ceilings to LGs for conditional grants in November on the basis of allocations from Ministry of Health.<br><br>The planning and budgeting cycle process commences with review of previous performance. The process is theoretically bottom up, and should work as follows: Parish Development committees find out parish issues and forward them to sub-counties. Sub-counties develop work plans, which are converged in to a health sub district plan forwarded to the district. The Health Management Committees for each of the health centres at each level should also be involved. Meetings are then convened to produce a district health work plan (DHWP) which is also integrative of NGO plans. The DDHS, NGO representatives and politicians are represented in these meetings. The DHWP is then presented to council for approval<br><br>Capital grant allocations are effectively made by the MOH on the basis of the gaps in health infrastructure – i.e. first LGs were given allocations to build all the required HC IVs and then IIIs and then IIs. Unlike SFG there appears little guidance on the planning process for identifying where they should be built.<br><br>Planning meetings at lower level health units and the health management meetings provide for the full participation of lower local governments, politicians and civil society organisations in the identification of sector outputs and targets. In practice, it is questionable to what extent lower local governments are involved in the planning process for capital or recurrent expenditure.<br>The Health Sub-district is the key planning entity and is not aligned with any level of local government. Only when Lower Local Government's chose to use the LDG allocation for health are LLGs involved from the outset. A major problem in such instances is ensuring that the recurrent implications – i.e. nurses and drugs – are taken care of. |

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<tr><th></th><th>Education</th><th>Health</th></tr>
<tr><td>4.6<br>Indicators and Targets Used</td><td>At the district level the following types of indicators were cited as being used in allocating funds to schools:<br>• Number of pupils enrolled in school<br>• Number of teachers recruited<br>• Number of classroom blocks<br>Districts, however mentioned ‘outputs’ in terms of raw number, and not the pupil to teacher ratios, (e.g.. pupil to classroom ratios). District level information on these ratios is, however collected by the MoES.<br><br>Other indicators mentioned by local governments include:<br>• Number of pupils completing school<br>• Performance in exams<br>• Drop out rate<br>It was unclear how these would/could be used in influencing intra sector budget allocations – they were more relevant for influencing the specific activities and location of those activities.<br><br>Most schools themselves had established motto’s and objectives. Some had established workplans, with targets. Those who managed to do this regularly tended to be those which had constructive relationships with parents, allowing them to mobilise additional resources – this established a clear link between resources and outputs to those contributing.</td><td>The key output indicators and targets used in the sector by local governments were:-<br>• Immunisation coverage<br>• Outpatient attendance<br>• Deliveries in health centres<br>These output indicators are stipulated in the guidelines, and LGs are meant to set targets on the basis of these. The LG does, however, have complete control over these outputs – in many ways they are indicators of demand for health services. Other indicators that were cited as being used in decision making include:<br>• Family planning acceptors/coverage<br>• Latrine coverage<br>• antenatal consultations<br>• disease incidences<br>It was apparent there was little use of outputs in the preventative areas of primary healthcare, including sanitation and health education. There was evidence that these activities were given inadequate priority right from the planning through to implementation.<br><br>Healthcentres did not tend to have specific mottos or objectives like schools, however the collection of performance information was in evidence.</td></tr>
<tr><td>4.7<br>Identification and Use of Sector Performance Indicators and Targets</td><td>Under the LGBFP process Local Governments should review previous sector performance and identify performance gaps before identifying targets. This should include the use of inspection reports to identify service delivery gaps, and information on previous outputs achieved.<br><br>In theory the targets and activities identified in the LGBFP should be consistent with the annual sector workplans and the first year of the three year rolling District Development Plan.<br><br>This is often not the case with the DDP, as the first year in the DDP may not take into account the availability of resources, and the different documents are prepared by different individuals.<br><br>In practice the output targets are largely (certainly at the school level) defined by the level of central government grant funding. Essentially the size of the SFG</td><td>The 5 year planning horizon imposed by the MoH is inconsistent with that of the DDP (which is part of the legal framework). This means that the 5 year district Health Sector Plan, and the DDP are not always consistent, leaving an unclear basis for the preparation of the LGBFP, whose targets should be consistent with the sector plan. Internally within the sector there are other problems with consistency, due to the proliferation of funding sources – there are eight conditional grants in the sector, and multiple funding sources. Many of these require separate workplans.<br><br>The budget process should start with review of past performance. In the health sector, data is readily available, via the health MIS on both disease incidence, and the 3 key indicators mentioned above. Capital development targets are effectively top-down, depending on the allocation from the centre. The setting of service delivery targets, however, is meant to be bottom up, with lower level health units holding planning meetings to identify needs and targets. There was little evidence of targets being set at the Health Sub-district level or below even though it the sub-district is supposedly the</td></tr>
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| | allocation determines the no. of classrooms MoES expects to be built by the Lg. Similarly the size of the wage grant will be determined by the ceiling for the number of teachers in the district set by MoES. Some of the discretionary Local Development Grant is allocated to the Education Sector, but this is via a more participatory, bottom up process.<br><br>The MoES does use results in the calculation of inter LG grant allocations. For example the allocation of funds to teachers salaries are on the basis of staff ceilings in districts which are calculated by MoES on the basis of pupil teacher ratios. Classroom construction allocations are based on existing classroom to pupil ratios. Capitation grant allocations are largely based on pupil enrolment in each school. However such use of indicators can result in perverse incentives – schools which inflate enrolment and/or districts under – declare their number of classrooms will receive more funds.<br>The actual planning and use of targets for the activities of the DEO's office depended on the availability of resources and the reliability of budget al.locations in the past. When funding is unreliable, there is little incentive to set targets. There was little apparent use of indicators such as exam results being used to target activities in the planning phase.<br><br>At the school level, the PTA, SMC and staff hold meetings through which targets are identified – these targets tend to be the purchase of inputs as opposed to actual activities. School staff and parents are represented on the various committees. At district level, those who participate in the process are: the sector technical staff, and the secretary for education | planning body. Most evidence, and examples were given at the district level, which would imply that targets are established at the district. Healthcentres would not have specific targets.<br><br>Unlike in Education the DDHS is able to used funds from the PHC conditional grant to cover its activities. This provides certainty in resources and enables proper workplans with targets to be established.<br><br>LGs did cite examples where trends in these indicators triggered decisions. Declines in immunisation rates resulted in decisions made to additional allocations. However the problem was not a shortage of drugs, it was communities' hostile perception of immunisation – this meant increased allocations were made to aspects of community mobilisation and sensitisation.<br><br>Another example was the reactions to the abolition of cost sharing. When this happened, the outpatient attendance at health units shot up. This means that there was need for an increased supply of drugs, and more compensation for staff. Although additional money was provided for by central government in form of the PHC grant, this still meant that actual allocations were made to expenditure areas relating to outpatients.<br><br>It is also important also to note that availability of funds may also play a part the lack of targets in other areas – the operational funds under PHC are barely sufficient to handle the demand for health services, after the abolition of cost sharing. The perception amongst communities is that health units are there to deliver services inside the unit, and not carry out out-reach activities.<br><br>This leaves little leeway for health centres to plan and allocate funds to softer activities like sanitation – it would be relatively straightforward to set targets relating to school visits, community visits etc., but there is no local or top down incentive to do so.<br><br>Only with strong strong management, and political scrutiny within a LG will there be consistency and equity in planning & budgeting. |
| *4.8 Comparison between Bushenyi and Iganga* | *In Iganga the planning process did not appear to work as well as Bushenyi, and results appeared to be used far lest systematically. A major factor in this was the poor facilitation of the District Education Office, which restricts both its ability to plan efficiently and equitably using results, and undermines the incentives to plan and set output targets. This is likely to be further undermined by the mistrust between and within the political arm and administration in Iganga district.* | *In Bushenyi there tended to be a greater coherence in the planning and budgeting process, and there were explicit links between sector plans and budgets. The fragmentation of the overall planning process in Iganga, undoubtedly had an effect on the ability of the health sector to plan effectively.*<br><br>*There was an overall impression in both districts that there is little actual room to plan strategically in the health sector, as the funds available limit activities to service delivery* |

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| | *Bushenyi appeared to use targets and results in the planning process. Examples were given where the district made efforts increase the achievement of results for given grant allocations. Desks were built under SFG at almost half the recommended unit cost. Some of Bushenyi's efforts to be innovative were thwarted, especially in the areas of classroom construction – in order to increase the number of classrooms that could be completed the LG had encouraged communities to contribute by partially building classrooms. The District would then complete the structures after they had reached a certain stage and met minimum standards. However MoES halted the use of SFG for classroom completion, and this meant there were many half completed classrooms.*<br><br>*The annual workplan showed clear activities and targets for the District Education Department. A major factor in the ability of to set realistic targets is that the district education department received a budget al.location of 170 million (USD 90,000) of which it received approximately Shs 140m*<br><br>*Iganga did not use indicators and results as systematically. An example was the criteria for selection of schools to benefit from SFG. In Ikumbya subcounty there was a school without any classrooms at all with children under treesnear an established school which had benefited from two new classroom (with two more under construction) despite there being several pre-existing classrooms.*<br><br>*The District Education Office had a very small operational budget. In 2001/2 its budget was Shs20m, however over the course of the financial year it only received Shs3million. The DEO's staff were disheartened, and stated that there was little point in the department setting targets in areas such as school inspection. They knew they would be unachievable because budgeted funds would not be forthcoming.* | *– that is curative as opposed to preventative measures.*<br><br>*In Bushenyi there was evidence that past performance had influenced allocation decisions. Declining immunisation rates triggered changes in allocation decisions towards community mobilisation. Similarly the increase in outpatient attendance following the abolition of cost sharing resulted in increases in allocations to drugs.*<br><br>*The existence of the comprehensive District Annual Workplan, which is passed by council alongside the budget helped ensure coherence and consistency in all sector targets and activities.*<br><br>At the Health sub-district level, and the health centres below it past performance was being monitored and used for planning decisions. The NGO clinic visited actually appeared to use results less systematically in planning than government units.<br><br>*In Iganga performance indicators were also being monitored, and did appear to influence some decisions. As with Bushenyi, the examples of immunisation and outpatient attendance were sited as an example where results were used to influence allocation decisions. The DDHS also mentioned that the collected performance data and set targets on an annual basis, whilst they budgeted on a quarterly basis, which makes it difficult to link targets to budgets.*<br><br>*However at the district hospital(which also was responsible for the health sub district) it was very apparent that the institution survived on a 'hand to mouth' basis, handling the prevailing crisis one after the other. They had little incentive to plan systematically and establish targets, because funding was way below their basic needs.*<br><br>*It was also very apparent in the lower level unit visited that planning for outreach activities were less of a priority than curative services. Inadequate staffing, over which the lower levels have no control, was cited as a major reason for this inability to carry out and therefore plan for outreach activities.* |
| *Use of Results in LG Management* | | |
| *4.9 Cascading down of targets to implementing units* | The education department and schools all have clearly set roles and responsibilities. These were not always translated into specific outputs and targets.<br>Within the District Education Department, the roles of the inspectors and the education officers are clear. However, depending on the availability of resources to the department (which varies widely from district to district) these roles and responsibilities will be transformed into specific activities and targets. (E.g.. an inspector visiting a certain number of schools in a term) | Health centres interviewed at each level were all aware of their roles and responsibilities in the delivery of healthcare services. The role of the DDHs office in support supervision was also relatively clear.<br><br>Although the roles of the different levels of health centres were clear and there is effective cascading of responsibilities, and indicators that should be monitored, there were no targets associated with this – for example those running health centres recorded and monitored outpatient attendance but did not have explicit targets. |

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| | Most schools had developed their own mission statements. Schools are provided with administrative guidelines at school level on the responsibilities of teachers. In some schools explicit duty schedules were evident, and responsibilities were explicit, although it appeared that this depended on the quality of the headmaster and his or her deputies. | Although health units are aware of their responsibilities, curative activities do tend to take precedence over preventative ones. This is understandable, because of a lack of staff, and the public perception that the health sector should be curing people. |
| *4.10 Control district managers have over sector inputs (staff and financial)* | District level managers have limited flexibility to manage schools' human, and financial resources to improve service delivery. Central Grants are transferred directly to schools, and central guidelines are applied to the used of those funds at the school level. Therefore if a district feels that the purchase of textbooks is more important than building of classrooms, it cannot transfer funds from one area to another. Similarly teacher ceilings are set by central government on the basis of enrolment.<br><br>Apart from a small amount of funding for monitoring and contract supervision under SFG no central transfers fund activities at the district administration. The only area of expenditure that district education departments have absolute control over is their own allocation from local revenue and the unconditional grant. However local revenue is unpredictable in amount and when it arrives in the FY. In this unpredictable environment it is difficult to carry out activities as planned, despite having control over resources when they arrive. | The DDHS has control over the resources allocated to his department from central government, however he/she has little control over the amount of funds at the district vis a vis the health sub district, which is fixed. In respect of staff inputs, control at the district and below is currently limited by the ban on recruitment and promotion until the current LG restructuring exercise is over.<br><br>The main point of control is at the health sub-district, both in terms of planning and service delivery. Most operational and expenditure decisions are made at this level, and there is significant flexibility over the used of operational PHC funds. There are no pre-prescribed percentages over how funds should be spent.<br><br>The DDHS does, however, have some control over inputs to be purchased at the health sub-district mainly in respect to:<br>Equipment to be provided to health units in health sub districts, decision about which are made on the basis of data in the inventory books of the health units<br>The drugs provided to each health sub district, on the basis of data in the health units' ledger books.<br><br>Training of district health staff to be carried out. |
| *4.11 Control service delivery units have over inputs* | Schools only really have control over the use of operational funds – i.e. the capitation grant. However maximum percentage allocations are prescribed to the expenditure areas on which schools use these funds, which limits the flexibility. Schools have total control over the inputs generated by the communities – and those schools which had been able to gain contributions from parents gave the impression of being more dynamic.<br><br>Schools however had little or no control over staffing levels which were set by the district. | Lower level health units tend to have little control over inputs, as the planning and expenditure tends to be incurred at the health sector IV level. Health centres can, for example, request for the types of drugs they need.<br><br>Before user fees in health were abolished in 2001 health centres had a constant revenue stream over which they had control. These funds used to be used to pay for additional drugs, and also facilitation for staff. The withdrawal of this funding source had diminished the autonomy (and to a certain degree the morale) of those working in health centres. |
| *4.12 Relationship of service delivery units with end users* | Parents are represented on both the School Management Committees (SMCs) and Parent Teachers Associations (PTAs). It was apparent that these committees and the relationship between parents and teachers, especially the headmaster, was crucial to the success or failure of the school. | The interaction of health workers with staff tended to be dominated by the curative side. Patients went to health centres to receive treatment, and a patients perception of the treatment received was very important. However unlike a pupil's education at a school, treatment is not constant and only occurs when someone is ill. |

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| | The SMC and the PTA, were important fora for identifying and mobilising resources for the school from parents and the community. The contributions from parents varied from providing meals for the teachers, starting the building of classrooms, to the extreme of purchasing of computers.<br><br>However this relationship goes far further than that just resources. Where parents were informed of their role in contributing to their child's education there was respect between teachers and parents and a sense of ownership. However in circumstances such as where headmasters were often absent, or where parents perceived that education should be entirely free, there was a lack of respect between teachers and parents which undermined the quality of education, and the respect between pupils and teachers.<br><br>The value of ensuring that the public are well informed about what they are entitled and also their roles was therefore very evident. | Health centres relied to large degree on the Health Management Committees (HMC) that should exist at each health centre – here politicians and patients are represented. They can provide important feedback to the health centre on services being provided. For example if outpatient attendance declined, the HMC could advise health workers on the reasons for this, if there was a problem with the way services were being delivered which kept patients away (as opposed to improved health!).<br><br>The relationship of health units with end users could be strengthened by outreach programmes, however it was evident that these are limited due to lack of operation funds, exacerbated through the abolition of cost sharing. This is also a reflection of the demand for curative services from the public is far higher than the demand for preventative actions. Health only becomes an issue when he or she falls ill. The public would be a lot more unhappy if there was no one to cure them in a health centre than if no health worker came to their village in a year to preach good sanitation practices. Thus preventative activities by health centre staff were invariably squeezed. |
| *4.13 Relationship between service delivery units and district departments.* | There are two main types of interaction between the district education department and schools.<br><br>The first is inspection, where inspectors assess the quality of teaching and the school environment. All those teachers asked valued the contribution of the inspectors, as they both got useful technical feedback, and a sense that the district was interested in the way they were functioning. However the frequency of inspection visits varied dramatically from anything between monthly and annually, depending on the resources available to the DEO's office.<br><br>Schools are also meant to report regularly (monthly) to the district on how they utilise funds. Also, on an ad hoc basis headmasters and/or teachers would be called to the district. Overall the relationship between district and schools was constructive, and valued by the teachers themselves. | The service providers at lower levels report to the HSD which are compiled and sent to the DDHS weekly using formats provided by MoH. Reports focus on diseases, immunisation infrastructure and inventories. Also quarterly reports on outputs and expenditures are prepared by the HSD<br><br>Health units did appreciate visits from the doctor from the HSD and the DDHS, as they got useful information, feedback, and also a sense that their managers were interested in the services they were providing. However, the frequency of this depended on the quality of management at each level, and the availability for resources.<br><br>The DDHS provides support supervision to the HSD. In Iganga the DDHS held weekly meetings with the heads of the HSDs. |
| *4.15 Relationship and reporting between district sector depart ments and CAOs office* | A cooperative relationship between the CAO and the DEO is very important, as this ensures smooth operation. At the very least the DEO's office was required to prepare quarterly reports, which needed to be approved by the CAO before being forwarded to MoES.<br><br>The frequency that the DEO reports to the CAO largely depends on the managers relationship with the head of department. Some CAOs require departments to report monthly, others it is ad hoc. It was evident that good open management relationship within the district administration, did foster trust and a | Again the relationship between the CAO and the DDHS is important. The DDHS is required to report quarterly to the CAO, which are then forwarded to central government. These reports are expenditure based, but also include information on the three key service delivery output indicators. |

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| | constructive working atmosphere, and thus efficiency. | |
| *4.16 Relationship between LG administrators and politicians (LCV & LC111)* | At LCV level, the secretary for education should have a regular and active relationship with technical department. In most cases both sides are involved in monitoring activities. There was evidence that the relationship is not always amicable. When LG politicians do not allocate sufficient operational funds to the DEO's office, or try to interfere in the classroom construction programme, this either led to a breakdown of trust, or collusion between the administration and politicians.<br><br>At lower levels, the relationship is not so formal, and local politicians are often totally bypassed in the delivery of education services. LCIII politicians have little to do with either schools or district departments. Sometimes a politician maybe on a school committee but there is no requirement. This adversely affects sustainability. | Through the HMC(health management committees), political leaders from respective levels are involved in the management of all health units. HMCs are present at every healthcentre and should meet quarterly, whilst support meetings are monthly to review and ensure results.<br><br>However, one HSD interviewed did cite problems of attracting the involvement of politicians outside the subcounty in which the HSD headquarters were located. This springs from the problem that the management of healthcare is consistent with LG structures.<br><br>The social services committees (SSC) at district level, which is a committee of the district council also helps in enhancing political awareness of the results their LGs aim to achieve. They also play a potentially important role in monitoring the quality of service delivery. |
| *4.17 Relations and reporting between Sector Ministries and Districts* | The relationship here is mainly focused on areas where the sector ministry has an input, and usually provided funds e.g.. UPE capitation grants, SFG, scholastic materials, workshops to pass on information and administrative guidelines.<br><br>The MoES does however, have permanent staff in the district. The district reports quarterly on the use of UPE and SFG funds. Recently the MoES recruited and posted engineering assistants to all districts, who were required to approve the quality of works before districts make payments. Similarly Primary Teachers' Colleges, run by MoES are situated in districts, and have staff working in subcounties. As stated earlier this has potential to undermine the responsibility for the quality of education service delivery in the districts. | The district prepares quarterly reports for PAF funds which are submitted to the Ministry of Health. Districts received little feedback on these reports. However, the Ministry of Health did appear to visit districts relatively frequently, largely for technical supervision on specific areas – however there did appear to be poorly co-ordinated.<br><br>There are no Ministry staff positioned in districts, however, as with MoES the MOH has taken blanket decisions which increase central government control over LGs. MoH observed poor quality in health centre construction and has re-centralised the contracting and construction process. |
| 4.18 Comparison of the use of results in the management of Bushenyi and Iganga | *Within schools there was little difference on how they were managed, and similar factors dominated the relationships between teachers themselves, teachers, parents and pupils. The crucial importance of the parent teacher relationship came out in both districts. The basic similarity of schools is understandable and reflects the limited flexibility in the education sector guidelines, and the fact that funds are channelled directly to them.*<br><br>*The major difference was the schools' relationship with the district management and the district management itself. The three crucial factors which resulted in the differences were:* | *Again the overriding management systems and structure were similar in Bushenyi and Iganga as they were dominated by central policy. The financial situation of the DDHS was also similar.*<br><br>*Staff in both districts appeared demoralised by a lack of staff and the abolition of cost sharing. Staff in both districts demonstrated a tendency to priorities curative services over preventative ones – this was due to a lack of staff and resources.*<br><br>*There was evidence in Bushenyi that the Health sub- district had a fairly active role with the rest of the units within the sub-district, unlike the Health Sub district headquarters* |

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| | • *the availability of funds to the DEOs office*<br>• *District financial and administrative management capacity,*<br>• *the relationship between the administration and politicians*<br><br>*In Bushenyi there is also an open and efficient management culture supported by a relatively informed council which allocates a substantial portion of its local revenue to the Education Department.*<br><br>*This meant that Bushenyi was able to carry out regular inspections of schools, with them claiming each school being visited at least once a term. There was also evidence that poorly performing schools were visited more frequently. This meant that teachers received regular technical support from the district. Bushenyi was also better able to organise functions at the district, which brought schools together – such as training, sports days etc. which both act as fora for the district to interact with teachers together, and to reward good performance.*<br><br>*The Iganga District Education Office on the other hand was unable to foster such a relationship with the schools because the District Education Office was poorly facilitated, and there has historically been an atmosphere of mistrust within the district management, and between the administration and the politicians.*<br><br>*This means firstly that the district department is severely constrained in the activities it can carry out – there are very little funds for inspectors to reach schools, the ability for the district to interact with teachers at all is severely undermined, let al.one use results to target support. Also, in the past the selection of schools and contractors in classroom construction programme had been characterised by political interference which undermined use of results in implementation.* | *visited in Iganga which doubled up as the district hospital – where their interests were dominated by the hospital's operation itself.* |
| ***Use of Results in Monitoring Service Delivery*** | | |
| *4.19 Mechanisms for measuring performance within LG* | Schools were able to monitor their own performance through PTA and SMC reports, and, by teachers, the review of their own performance against pre-agreed schemes of work and lesson plans. The activity in this area appeared to depend on the headmaster, and PTA/SMC teacher relationship. Another important source of information cited by teachers was exam results – the number of grade 1 students in the primary leaving exams was one indicator mentioned. | In both districts visited a Health Management Information System was in operation. Units reported regularly on the incidence of key diseases through this HMIS, and other indicators such as epidemic potential diseases.<br><br>However in Bushenyi the use of results were more in evidence, especially within health sub-districts. At health centres charts were on put up the wall which show the number of outpatients each week, and the number of cases of key diseases. The effects of the abolition of user fees was very evident on a lot of the charts with large increases in |

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| | District departments need to be able to monitor the performance of individual schools within a given year:<br>• Schools inspectors were cited as the primary source of information of how individual schools were performing. However this varies vastly, depending o f the budget of the DEO's department. In Bushenyi this might be twice a term, whilst in Iganga it was more likely to be once a year.<br>• The Centre Coordinating Tutors from the PTCs also gave LGs feedback on school performance.<br>• Routine monitoring visits were cited as a way of capturing information – this tended to be on a sample basis, in conjunction with other PAF sectors, and concentrated on where there had been classroom construction activities. District departments and politicians were supposed to prepare monitoring reports after monitoring visits.<br>• School Exam results were monitored, – both leaving exams administered by UNEB, and internal exams.<br><br>Neither Bushenyi or Iganga appeared to be operating a computerised EMIS at the time of interviews, which should help provide more systematic information at the district level | outpatient numbers.<br><br>Communications was facilitated between the network of health centres by short wave radio from HCIII to HIV to the DDHS office.<br><br>Field visits were used to make on spot observations of health service delivery. However district health inspectors were not valued to the same degree as school inspectors.<br><br>Health Management Committees were cited by those working in health units as important sources of qualitative information on health service delivery. They would give information on how the services they provided were being perceived and were able to take corrective action on the basis of this. |
| *4.20 Use of results to improve performance within LG* | *Districts used the information from inspectors and CCTs to improve in year budget implementation especially in respect to areas like:*<br>• Lesson plans and schemes of work in schools<br>• The learning process, and use of scholastic materials<br>• Teacher and pupil attendance,<br>• Use of the UPE funds.<br>Information from monitoring SFG was used to follow up cases of poor quality construction of classrooms, latrines, furniture, etc<br><br>There was little evidence of District departments using exam results to target their inspection and monitoring activities. | Information from the HMIS in particular appears to be used to make improvements in year budget implementation, and there was clear interest in the information generated. However it was evident that this is a tool that facilitates good management, and does not replace it.<br><br>Use of information was cited:<br>• At the HMC and monthly support meetings HMIS was used in Bushenyi to plan ahead for other upcoming budgeted for activities.<br>• Where epidemics break out this information is used to draw up strategies to curb the epidemics immediately.<br>• Where there evidence of poor immunisation attendance, mass media strategies were drawn up for the areas concerned. |
| *4.21 Incentives to perform* | The only formal incentive mechanism in the sector was the provision of cash awards to the schools in fields like girl child education, and financial accountability. This was appreciated by teachers, however the areas rewarded did not necessarily reward the all round quality of education on offer, and may produce perverse incentives.<br><br>However informal mechanisms which provided teachers with an incentive to | There were no formal mechanisms for rewarding health workers or units which performed well, and the possibility of training and allowances were the only examples cited by staff as incentives to perform.<br><br>Unlike the teachers visited who were largely enthusiastic, there was an air of demoralisation of staff working in health units. |

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| | work were considered very important. They included:<br>• Parents through the SMC and PTA provide for lunch and tea in some cases<br>• Contribution towards the building of teachers houses by parents.<br>Teachers also felt that they did not necessarily need cash incentives – simply being recognised in front of others by district officials when they had performed would provide incentive enough. The relationship with parents themselves was an important one, with the appreciation of parents and important motivating factor for teachers to perform. | A major factor behind this was the abolition of user fees. Patients used to pay for each time they were treated and these funds were retained at health centres – a proportion of these funds were paid to staff. In Iganga it was 50% of revenues. Thus there was a direct incentive for health workers to provide more services – the more people treated the more money was paid to staff. However the patients needed to value the services or else they would go elsewhere to be treated.<br><br>Also user-fees enabled health centres to purchase drugs when stocks ran out – now they are wholly reliant on drugs financed from central transfers. |
| *4.22 Lessons from NGOs implement-ters* | Private sector schools, and those government schools which require parental contributions (though not explicitly called fees) are in a better position to achieve and produce results because:<br>• the parents' community they serve pays, hence instilling a sense of co ownership and commitment<br>• The teachers tend to have better pay and hence are better motivated.<br>• There is closer supervision and a high desire to perform.<br>• These schools can easily get rid of non-performers.<br>However, in one of the schools visiting the feeling was that government schools ere more inclined to achieving better results due to the facilitation under UPE. | There is increasing evidence that NGO/private sector implementers are better oriented towards achievement of results that the NGO /private implementers. One of the reasons behind this is staff facilitation. The ability to charge user fees in NGO/Private Sector implementers helps them to realise better results and services than the Government implementers. This is so because the former are able to motivate staff using these fees and also buy supplementary drugs.<br><br>The NGO unit visited in our study appeared an exception to the rule – the member of staff interviewed did not appear as confident or competent as her public sector colleagues, and the wards were very dirty. Some lower level government service delivery units indicated that they were more inclined to provide better services than the NGO/Private implementers because the latter are only interested in selling drugs but not providing proper services, contrary to the government units. |

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| *4.23 Effects of multiple donor/cg policies, projects and grants* | The guidelines which accompany funding sources such as PAF have, in the short run helped in enhancing achievement of results related to them, but this usually is in terms of quantitative rather than qualitative achievement. The guidelines are however very prescriptive in terms of inputs, and therefore limit the room for individual districts and schools to be innovative in the way they manage their programmes.<br><br>Central policies have tended to react to problems in LG implementation by blanket increases in control. Such examples include the halting of classroom completion, and the deployment of engineering assistants in LGs. Central government does have a roll to play in enforcement when things go wrong, however, these interventions may not be necessary or even appropriate for stronger Local Governments, as it undermines their autonomy and incentives to be innovative in future. MoES should consider interventions, which treat different Local Governments differently depending on their performance, so that direct intervention is directed only at those LGs which actually need it. | Donor/central government projects and grants help insofar as they provide funds for service provision, and orient districts towards achievement of specific results. However these results were not necessarily the priority of LGs. In some cases donor funds were not spent or the last funds to be spent because they were earmarked to activities not considered a priority within the LG.<br><br>Some central policies have tended to undermine LG implementation. In areas such as health centre construction the contracting has actually been taken away from LGs because of poor quality of construction managed by them.<br><br>District officials felt that the pooling of available resources in one basket and the district determining the use of the funds according to their needs, would yield better results. |
| *4.24 Other factors affecting performance* | Although touched on throughout it is important to emphasise that in practically all schools visited **a good teacher/parent relationship** was seen as the key to the success of a school.<br><br>Other factors key to the success of a school included<br>• Good pupil/teacher relationship (often a symptom of good pareant teacher relationship and the teacher/pupil ratio)<br>• The quality of the headmaster, and his constant presence at the school.<br>• Teachers pay, more specifically the vast difference between the teachers, and head teachers pay, which undermined morale especially if the headmaster was absent often.<br>• The timely disbursement UPE (operational) of resources to schools, and more generally the availability of inputs including learning/teaching aides. | The overriding constraint cited by those in health centres was the lack of staff to perform their duties – almost all centres visited did not have a full complement of staff and even when they did it was a major issue.<br><br>Secondary to that was inadequate resources, alongside irregular disbursements of those resources, which made it difficult to plan for delivery of services. For example, inadequate supply of drugs meant that health centres would issue prescriptions to patients rather than drugs. Also inadequate funding meant that the quality of care was undermined – staff were frustrated that they could not perform tasks as they were professionally trained to do. A nurse cited incidents where she and her staff had to treat with accident victims covered in blood without aprons or gloves, compromising hygiene.<br>Other factors, which affected performance included<br>• The high costly training<br>• Lack of transport/ communication especially at lower local levels<br>• Pay<br>• Leadership and management by sub-county leaders |
| *4.25 Compari son in Monitoring service Delivery between* | *The systems within both districts for monitoring service delivery were similar. Both districts were able to provide information on enrolment, number of teachers, classrooms etc. Importantly the factors which schools almost identical factors which enabled them to achieve results, with a good teacher parent and pupil relationship universally more important than availability of operational* | *Both districts did have an operational health MIS, however the monitoring and use of indicators appeared more valued by implementers in Bushenyi.*<br><br>*In Bushenyi, charts showing trends in indicators such as malaria cases and outpatient attendance were taped all over the walls of every government health centre visited. This* |

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| *Bushenyi and Iganga* | *funds, pay, or quality of headmaster.*<br><br>*The major difference between the district was in the frequency and rigour of monitoring activities, and the ability of districts to take follow up actions, due to resource availability and the political and institutional will to ensure that these follow up actions were made.*<br><br>*Bushenyi with more operational funding, was able to collect more information, and able to take action once problems were observed. These actions were likely to be supported, where necessary by the political and administrative arm. In particular the mechanism for supervising procurement and contractors seemed strong and relatively transparent – their did not appear to be much of a role for the engineer deployed by MoES (although the district claimed he was useful)*<br><br>*Iganga, however, in the past has had few resources for the DEO's office and little political will to supervise and inspect schools closely. In classroom construction, there had been a history of poor quality construction, and weak tendering and contract supervision. The district need outside help and the value added of both the MoES engineer and the CCTs was therefore evident.* | *gave a feeling that those in the health centres themselves were interested in monitoring their own performance. They could cite how it helped them manage their services – monitoring performance helped in practical decisions such as which drugs to requisition or where to conduct outreach.*<br><br>*Iganga health centres were less ostentatious in their use of results. The DDHS however was able to cite how the HMIS helped him monitor disease prevalence, tackle problems like declining immunisation rates, and react to epidemics.* |
| ***MONITORING AND EX POST VERIFICATION OF RESULTS*** | | |
| ***Improving Budget Efficiency and Effectiveness – Monitoring performance and use of information in decision making*** | | |
| *5.1 Monitoring of Output Performance (MIS, Reporting etc.)* | The Ministry of Education carries out monitoring activities in respect of areas for which it remits funds. These activities are largely coordinated by the Planning Department.<br><br>Although this monitoring is meant to be quarterly, there was little evidence that MoES actually has the capacity managed this. In particular, a private sector firm was contracted to monitor SFG. The Education Standards Authority is also mandated to monitor the quality of education.<br><br>The MoES has also published the a league table of the achievements of LGs in classroom construction. Although exam results are made publicly available the MoES has chosen not to publish them in newspapers. They feel that this is unfair at present, and the focus on monitoring quality should focus on improving the results in internal school examinations.<br><br>There is however little systematic monitoring of results of other central government agencies, especially in terms of results. | The Ministry of Health Carries out regular monitoring activities of conditional grants (PAF) and also technical supervision, by the line departments. There appears little coordination between these activities. The Planning Department leads the monitoring exercise for conditional grants, however it is over-stretched because much of its staff work part time on donor funded projects.<br><br>The Ministry has also put tables of disease cases by district (generated by the MIS) in the national press – however the information has been presented in misleading ways, with just raw numbers of disease cases shown, regardless of the size of LGs.<br><br>As with education, there is however little systematic monitoring of results of other central government agencies, especially in terms of results. |

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| 5.2 *Efficiency Output information used in decision making* | The MoES uses output results in its decision making process actively in many ways. This appetite for information is an important opportunity that can be refined, strengthened and deepened.<br><br>Those LGs which perform well in classroom construction (timeliness and value for money) receive an extra allocation towards the end of the financial year to build additional blocks. This reward is an important incentive for LGs to perform well.<br><br>There is little use of information for targeting the Ministry's & other agencies' mentoring role towards local governments. The analysis of progress reports and ranking of local governments in terms of educational and infrastructure achievements should provide a basis of providing more support to where it is needed most. However this rarely happens – instead examples of poor performance, for example in classroom construction, often are used as arguments to make universal changes in policies which impact on all local governments, rather than targeting technical support. | It is less clear how the Ministry of Health uses the output level information it gathers. This is largely because the output information is not linked to specific activities which can be costed. For example there is no delineation of the budget between out patent attendance and deliveries at health centres to allow reallocation of funds between the two. However the large increase in outpatient attendance which followed the abolition of user fees, did result in a large increases in allocations towards drugs, and increased compensation to staff. A lot of the changes in allocations were driven by large increases in central government grants.<br><br>It is more difficult to reward districts for in terms of their results. For example a large outpatient attendance could be a reflection of a high demand for health services because they are good quality, or just a reflection that the population is unhealthy.<br><br>Information surrounding the poor quality construction of health centres has resulted in the blanked re-centralisation of much of health centre construction. Again such blanket decisions are not necessarily the best for all LGs but they do reflect a willingness to use results.<br><br>The Ministry of health has targeted support to some districts which have particularly poor immunisation rates, and does act when epidemic diseases are observe – this is evidence that they are willing to target technical support on the basic results. A major problem appears the lack of staff in the Health Planning department to carry out the analysis of results, and the coordination between the general technical support provided by this department and that provided by the rest of the ministry. |
| 5.3 *Measuring the Impact of Sector Program mes* | There appears to be little analysis by the MoES on the impact of the education sector in terms of its poverty reducing impact. As observed earlier the focus has been on outputs, and not on how outputs have led to improved educational outcomes and wider poverty reducing outcomes.<br><br>The indicators monitored by the Education sectors are consistent with those under the Poverty Monitoring Strategy. However the PMS has identified some Intermediate outcome indicators which are not actively being monitored in the sector review process, and do not appear regularly in sector documentation. Indicators such as *PLE pass rate, retention rate by sex, public perception of education quality, average distance to school, adult literacy*, all are indicators which give an indication of the quality and equity of education services being delivered.<br><br>Some of this data is collected using instruments outside the Education Sector such as service delivery surveys and Participatory Poverty Assessments. The | The sources of information on health outcomes are diverse – much information comes via the poverty monitoring unit in the Ministry of Finance. Other information is generated through the ministry's own systems. Demographic and Health Surveys are carried out periodically.<br><br>The health sector indicators monitored by the sector itself are consistent with those used for monitoring PEAP implementation under the Poverty Monitoring Strategy. This is largely because the PEAP itself is fully consistent with the HSSP, and that the HSSP identifies outcome targets. |

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| | Poverty Status Report and PEAP progress report presents this information. This will at least provide the education sector with an opportunity to improve policies. | |
| 5.4 Effectiveness Use of Outcome information in decision making. | The lack of information on the actual quality and impact of education serviceshas limited analysis and evidenced based policy reform. The Uganda Participatory Poverty Assessment was one, relatively isolated example of where information on education services substantially impacted on the allocations to primary education sector.<br><br>The issue of education quality is becoming increasingly important, and the backward and forward linkages between education outputs Intermediate outcomes and poverty outcomes. The proposals for the mid-term review of the ESIP reflect this, and will examine it in more detail.<br><br>There is however no apparent focus for this debate within the education sector. This should be developed so that there is a route established for analysis of the impact of education services on the poor to inform policy formulation. | The Ministry of Health has a Health Policy Analysis Unit which coordinates research into various topics relating to the health sector. This unit produces the Uganda Health Bulletin. Here one can see the use of impact information being analysed and discussed in relation to their policy ramifications. The Poverty Monitoring Unit in the Ministry of Finance has carried out research into improving infant mortality, and has been in dialogue with the MoH on issues around equity in the allocation of LG grants.<br><br>This existence of the Health Policy unit and the interest of the MoH to work with the Ministry of Finance demonstrates an important opportunity for analysis of health outcomes to impact on health policy over time.<br><br>The Ministry of Health has used information on household consumption by district as a proxy for poverty to allocate grant funds between districts, improving equity in the allocation of funds. The use of such an indicator avoids the incentive problems observed in education whilst ensures a degree of equity. |
| *5.5 Role of Audit and Financial Tracking* | The quality of the statutory audit of central government and of local governments has not provided the sector stakeholders, especially donors, with the fiduciary assurance that sector funds were being expended correctly.<br><br>Initially donors pressed for sector-wide audits, carried out by independent audit firms as a means of providing such fiduciary assurance. Government objected, as this was a dual mechanism over and above the statutory audit, which they felt should be strengthened.<br><br>The compromise was the use of financial tracking studies. Two such studies have since been carried out and they have largely concluded that the vast majority of funds are transferred to and expended at the points intended. However these studies only go as far as tracking funds have shed very little light on the results emanating from these expenditures. The obsession of donors with ensuring funds are spent correctly by schools, diverts attention on how services are actually being delivered, and the quality of those services – funding is only one input. | Similar to the education sector, tracking studies have been adopted as a tool for fiduciary assurance. Problems have been observed with the timeliness of funds transfer from MFPED.<br><br>One tracking study has been carried out in the health sector, which provide confirmation of financial information and little more. These tracking studies are however a major focus of donor and government stakeholders. |

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| *5.6 Civil Society Involvement* | Civil society organisations are engaged in the sector review process, which is open, and they are able to participate. The sector is not, however being very proactive in actually promoting civil society involvement in independently verifying the quality of education service delivery. This is an important area, given the teachers' views that the most important factor in their ability to achieve results is their relationship with parents. Independent channels through civil society organisation will help the transfer of information from and to parents, and help strengthen the parents involvement in school management. | It is important to make a distinction between NGO service providers in the health sector and civil society organisations which can play an important role in ensuring effective health service delivery. Both sets of stakeholder are involved in the sector review process, but the focus has been on the role of NGOs in service provision.<br><br>The sector would benefit from more proactively involving civil society organisations. Civil society organisations are not only a means of ensuring accountability – that services are actually being delivered, but also a source of feedback on the quality of healthcare and the perceptions of those using the services. |
| 5.7 The Role of Sector Review Processes | The ESIP reporting and review process provides the main mechanism for reviewing progress in the implementation of sector programmes, relating this to the monitoring of impact of sector programmes. This review processes offers the best opportunity to strengthen institutionalise the use of results-based frameworks into the decision making process<br><br>The Education Sector compiles half yearly reports on sector performance which incorporate central and local government performance. These reports are reviewed in October and April, and form the basis on which new targets, policies and initiatives are agreed.<br><br>If the analysis of sector outcomes is strengthened and integrated into this reporting process, and all importantly the linkage to the budget/ROM processes is improved and maintained then results will continue to improve decision making in the sector. | The HSSP Joint Review Process is the Health sectors mechanism for reviewing progress of health sector programmes.<br><br>Although the health sector reviews performance against agreed benchmarks on a biannual basis, MoH produces an annual sector performance report. This report combines analysis of both output (service delivery and process) and Intermediate outcome information.<br><br>The biannual reviews in October and April offer the opportunity to review performance and agree actions on this basis. The willingness to use results in decision making has been demonstrated, and the review process should be used as the mechanism to institutionalise and strengthen the use of results in decision making. |