

Shifting to Cross-Sectoral, Programmatic Support
The Uganda Experience
(Draft prepared by Nadim Matta and Patrice Murphy, RHS&A)

As Ritva Reinikka left the Operations Committee meeting, she drew a deep breath. What had started out as a quiet experiment with new ways of working in Uganda had flowered into a groundbreaking pilot, a high-profile gamble with US\$450 million of IDA funds. The levers would be a new lending instrument, the PRSC, a new concept in performance contracting and, most importantly, a redefinition of the Bank's relationships with a client government. And suddenly, everyone was watching.

“What have we taken on here?” she thought to herself, with more than a little trepidation. For a number of years, she has argued for this and maneuvered for it, deftly navigating around well-founded skepticism as well as the natural immune system of the Bank. And now that it's real and gathering momentum, she was acutely aware that there were few road maps for the journey that she and her team have embarked on...

Background – The Build-Up Years

In the six years that Ritva had been working in the Bank's Africa region, the Bank's successes in the Region had been few and far between. But Uganda seemed to offer, perhaps more than any other country in the Region, the glimmer of a chance to show that good results could come out of Africa.

In the 1990's, Uganda's economic performance had been one of the highest in Africa, with an average annual GDP of 6.4% p.a. This strong macroeconomic performance had had a positive impact on poverty in a relatively short period of time, enabling an almost 40% decline between 1992 and 2000. Prices were stable and investor confidence had increased more rapidly than anywhere else in Africa. Social indicators also showed modest improvement, with the exception of the life expectancy which fell due to the HIV/AIDS epidemic.

In addition, the Government of Uganda had, since 1992, started to operate in a virtuous cycle, in which genuine commitment to social and economic progress were yielding positive results that, in turn, was increasing the commitment to change. In terms of public administration, the Government had steadily strengthened its own budget institutions and macroeconomic management.

In the mid 1990s, the challenge lay in pushing reform down to the micro, service delivery level.

In response to these Government initiatives, the Bank had expanded and evolved its role during the 1990's from a macroeconomic emphasis to microeconomic analysis, project funding, sectoral funding and donor coordination. Early on, the Bank had been focused on simply building the Government's capacity to produce and use its own

macroeconomic data. In the early 1990's, the only available macroeconomic indicators to assist decision-making in Uganda were national accounts and the Consumer Price Index. "Even if we did nothing else," Ritva insists today "it was our job to help create the basic data infrastructure. The least we could do was to deliver a foundation of solid data for government and donor decision making." The Bank's team had worked on the data foundations in the 1990's. Ritva's task in the Bank's economist team was to extend the work even further on the microeconomic side, including poverty, public expenditure analysis, and household and firm surveys.

By 1998, both the Bank team and counterpart economists in the Ministry of Finance had completed extensive analysis of Uganda's microeconomic picture. The stage seemed set for something different...

The Ugandan Government in the Lead

Much before the emphasis on CDF in the Bank popularized the notion of "the client in the driver's seat", some Ugandan Government leaders, including the President, had already begun to take the reins of the development agenda. One example of this was the way the Government went about developing its own roads investment program and Poverty Eradication Action Plan (PEAP) in 1996-97.

Ritva and her colleagues at the Bank played a catalytic role in this. In fact, the idea of the PEAP emerged out of conversations between the Bank's economist team and their counterparts in the Ministry of Finance, as they jointly reviewed the poverty profile that the Bank team had helped the Government assemble over the prior years. As part of the process, major donors were convened by the Government, along with representatives of civil society and academia. This was done in a series of workshops over a period of a year and a half, to identify priority areas for action. Ritva and her colleagues helped Government sponsors organize the events and document the proceedings, but there was no question as to who was in the driver's seat.

In 1998, The Ugandan Government then took another extraordinary step. Unlike other plans that look good on paper and in donor conferences, the Government established a Poverty Action Fund, to channel more resources to priorities for poverty reduction identified in the PEAP. This signaled the Government's seriousness about aligning its own budgeting and public management processes with its poverty reduction agenda.

The PEAP and the Poverty Action Fund came at the heels of a dramatic experience in the education sector. In 1996, President Museveni made an election pledge of free primary education for four children per family (including at least two girls), effectively promising free education for all primary age children.

When he was elected, the President delivered on his campaign pledge. Aid experts from the Bank and outside cautioned against overloading an already fragile educational system, but he refused to heed their advice: "you have been building the institutions for the last ten years. I will not wait ten more years." Government officials, typically

skeptical of politically motivated initiatives, took the President's commitment seriously, or perhaps they felt they had no choice but to make it happen. Teachers were hired, and a vigorous campaign for enrolling students was mounted. The response when school started in January 1997 was extraordinary. Within months, enrollment had doubled over previous year levels!

The system was in crisis. Make shift classes were organized under trees in school courtyards. Focused help was urgently needed.

Miraculously, the government agencies pulled through. Officials that were mostly perceived as typical bureaucrats with little motivation or capacity, demonstrated performance levels beyond all expectations. Bank staff and other donors had to refocus their priorities and mobilize resources to help. And they have been playing catch-up to Government initiated action ever since...

Initial Inroads Into Programmatic Lending

In the late nineties, in spite of the proactive role that the Ugandan Government was playing, funding was still mired in a jumble of development projects (*see matrix at the back of CDF The Uganda Pilot: An Approach Paper*). The plethora of separate projects strained the Government's overstretched human and institutional resources. Donors worked separately, each imposing their own reporting structures and pushing their own agendas. By competing for the attention of sectoral ministries, donors also fed into internal rivalries within the Government. The silo approach to development increased the Government's transaction costs at the same time that it encouraged a fragmentation of vision and dispersal of effort. Ironically, donor funding was actually deepening a capacity constraint centered on the Government's limited management resources.

Most of the Bank's funding was no different – but two experiments initiated by the Government signaled that an alternative approach might work. One was the request for Sector-Wide Assistance Programs (SWAPs) in Education and in Health. The Government wanted to coordinate the management of numerous projects under a sectoral approach. Under the SWAP, donors came together to agree on one investment program at the sectoral level: several donors then put funding into the budget and let the Government manage it according to agreed priorities in that sector.

The second was an Education Sectoral Adjustment Credit (EdSAC) cooked up in the wake of the President's bold 1997 initiative on Universal Primary Education. The crisis provoked by the overnight doubling of enrollment in primary schools brought into sharp relief the gulf between Bank projects and the country priorities and needs. Bank education projects that were going on their merry way for years were all of a sudden marginal, or even distracting, from the real needs. What was needed was to quickly channel support to the Ministry and help it mobilize resources to handle the dramatic increase in enrollment.

In response, Jim asked Eduardo Velez Bustillo to put together an EdSAC that directed US\$155 million through the Government's education budget. The EdSAC completely changed the dialogue at the sector level. Instead of listing activities for a specific project, the conversation was about the overall education outcomes the Government was committing to achieve. This required a distinct leap of faith – it was a move towards supporting funding at the wholesale level of overall system outcomes, rather than the retail level of Bank-defined projects. The Bank was essentially funding the Government to identify and execute specific projects. For Jim Adams, the EdSAC was a key turning point on whether budget support could actually work.

CDF Nudges the Process Along

At the same time, the climate was changing in the Bank. The Comprehensive Development Framework (CDF) was being floated as a vehicle for promoting country ownership, holistic cross-sectoral support, poverty focus, and outcome orientation. Uganda was among the first countries designated as CDF pilot countries. The challenge was to translate CDF concepts into action.

Jim's approach to this was uncharacteristically low key. He did not invite change consultants to guide the way and stimulate participatory priority setting in Uganda. There was already a healthy dose of this going on. He did commission two working groups, comprised of Bank staff working on the country to explore how the Uganda country team might shift the nature of its work and its lending instruments to reflect the CDF approach.

The working group on lending approaches considered four options:

- (a) Improved Traditional Projects
- (b) Program/Sector-Wide Approach
- (c) General Budget Support
- (d) District-Based Implementation Support

By and large, the sector staff favored a program/sector-wide approach in which funds would be channeled directly to the budget by sector (similar to the ESAC). However when a vote was taken, the majority of the working team concluded, with some reservations, that best chance of delivering on the CDF principles lay in implementing a budget-support program. But this was still a theoretical debate. Two retreats after the recommendations of the working group were presented and discussed; there was little follow-up to write home about. The working group report might have ended up adorning the shelves of the J-building, along with hundreds of thousands of other reports produced by well meaning Bank staff, had not the Ugandans intervened again to force the Bank's hand...

“Show Me the Money”

Perhaps the real birth of the Ugandan PRSC came during a presentation by the Uganda country team, in Washington, to the Permanent Secretary and Secretary to the Ugandan Treasury, on the CDF.

Mr. Tumusiime had for a number of years played a focal role in stimulating coordination among donors, and he was a key interlocutor with the Bank. He was a strong leader in his own right. Plus, he had the trust and support of President Museveni.

The presentation started somewhat awkwardly with a veiled criticism of the Ugandan efforts at creating an impact on poverty. “The star has fallen” it was declared. Ritva recalls fidgeting in her seat as she saw the opening slides. She knew that the Ugandans had done tremendous efforts in this area and had been as frustrated as anyone at their inability to demonstrate a visible impact. And she was worried about how the Under-Secretary would react to these statements.

Mr. Tumusiime kept his cool throughout the presentation. Until the CDF rhetoric on country ownership reached its usual crescendo. Mr. Tumusiime seized the moment to up the ante on the Bank. He politely interrupted the presenter and addressed himself to Jim Adams: “You want the Government of Uganda to be in the drivers seat, Jim? Then give me the cheque. Just give me the cheque.” Jim paused and then gamely rose to the challenge, saying: “I’m willing to do it. Let’s see how we can make it happen.”

Ritva still marveled at Jim’s answer. Many others, including members of the working group, thought it was a crazy response: “Another one of Jim’s curve balls.” A budget-support program was too risky at this stage, with too little client capacity and too much corruption to ensure the money would be spent wisely.

For Jim, this was not a matter of simply responding to the client. Over the years, and through conversations with his team and with client counterparts, he had become convinced that something different needed to be implemented in Uganda. Ritva remembered him saying: “We’ve done the macro work. We’ve done all the basics. And yet our projects are not having an impact on service delivery. There has to be another way to make an impact on poverty in Uganda. Putting the Government in the drivers’ seat might mean just that – that we step back from projects and work with the Government to improve its services, according to its own agenda.”

The Debate Rages on

The soul searching began in earnest. What started as a theoretical exercise to figure out how future lending would be delivered to Uganda as part of the CDF initiative became an issue of practical urgency for the Ugandan Country Team.

Still, there was disagreement with the approach coming from country team members, sector managers and some of the other donors. The whole idea of programmatic budget support was risky and lacking in control. Some members of the group felt strongly that

the safer course would be to push for business as usual, carried out more effectively. “Why risk a massive shift in the way the Bank does business?” said one team member. “Well-prepared projects have had good results in the past. If the Uganda portfolio’s disbursement ratio is used as a proxy for implementation pace and quality, then Uganda’s average of nearly 30% looks pretty good by regional and Bank wide standards. That tells me we should stay with an approach that’s working reasonably well and concentrate on improving client involvement.”

But Jim and some others were not convinced that the project-based approach did – nor could – deliver the required impact. Despite the Bank’s best efforts to improve supervision, streamline procedures, monitor impact and address constraints, performance in Uganda had been weakest at the sector level. The simple fact remained that the macro program in Uganda was much better led and implemented on the Ugandan side than any of the broader sector programs. Consistent with this experience was the relatively narrow ownership of the Bank’s program, focused on two individuals’ strong commitment to macroeconomic reform – the President of Uganda and the Permanent Secretary/Secretary to the Treasury (PS/ST). Few champions had emerged from key sector ministries. There were two schools of thoughts on this, leading to two different conclusions regarding the desirability of budget support:

- Some viewed this as a function of irrelevant, supply-driven programs that were accepted by the Government merely to obtain much needed resources. This argued against projects and for budget support.
- Some suggested that an over-reliance on consultation with the ministry of Finance alienated sector ministries that should have been closely involved. This raised the question of whether channeling all support through the Treasury would further erode the commitment and ownership of Sectoral Ministries to the poverty agenda.

In all cases, lack of emergence of strong sector Ministry leadership had adversely impacted sectoral programs and projects. Improved performance at the sector level would be essential for Uganda’s transition from macro adjustment and stabilization to sustained economic growth and improved services.

Jim was effectively betting that a cross-sectoral, programmatic approach would help develop the necessary ownership and leadership capacity among Government ministers. He and Ritva had seen how a clear and urgent demand could produce a quantum leap in client capacity. “The ESAC was a shining example of people rising to the occasion,” said Ritva. “Ownership and coordination in the Ministry of Education had been extremely weak. But the challenge of the campaign to introduce free universal primary education and the need to manage the ESAC had forced a major step-up in performance by the Minister and his management team. That experience made us more confident that the Government might rise to the occasion if it is given the chance to do so .”

Moving Into Action

One thing was clear: If budget support was the way Uganda was heading, then a Country Financial Accountability Assessment (CFAA) and a Country Procurement Assessment Report (CPAR) would be needed. Annual Public Expenditure Reviews (PERs) through the 1990's had given the Bank a great deal of information about the Government's process of allocation of public expenditures, and increased Bank confidence that it knew what was going on in those areas. However there was no way the Board would approve a major budget support loan without a careful assessment of the Bank's risk exposure to fraud, mismanagement and lack of fiscal controls in the way public funds were expended in Uganda. So Ritva asked Tony Hegarty to lead the team doing the CFAA. Anthony was not part of the Uganda country team, but he brought experience doing the same sort of work for the Bank in Nigeria, and elsewhere for the UN and at KPMG. He set about the review process in a somewhat unconventional way. He made sure the counterpart team was in the lead, even though this was a review of their own accounting and auditing processes.

The process and the findings from the CFAA and CPAR were transparent to all. These included some serious issues, such as unbalanced Bank accounts. The team also developed a roadmap of possible actions to remedy the situation and mitigate the Bank's risk exposure. These later on became the foundation of the parts of the PRSC Policy Matrix dealing with Governance and Procurement.

While the CFAA was being planned, Ritva's assignment was to lay the ground-work for a budget support credit program that targeted improving public service delivery.

The first task was to find an appropriate instrument. Luckily, the Public Expenditure Reform Credit (PERC) was being developed at the time, as a way to help Governments implement budgeting and public expenditure reforms. The PERC as originally conceived did not cover the whole spectrum of what was required in this case, but it was nothing that creative interpretation could not solve.

"Finding the right instrument was quite a challenge," Ritva recalled. "It seemed like a PERC would get us closest to where we wanted to be. But seeing how we could carve off elements of the poverty eradication action plan within the structure of a public expenditure reform credit required a bit of creativity!"

Switching the Alphabet

Getting the Uganda PERC approved promised to be an uphill battle. Jim was bracing for the fight when he got a call from one of his colleagues on the country team. It was the 2000 annual meetings, when Jim Wolfensohn announced that a new instrument, the PRSC, will be used to channel Bank support to IDA countries. This was intended to give a boost to the PRSP as the basis for the Bank's, and other donor's assistance strategies.

The caller had a well-timed suggestion to Jim: “Still worrying about whether a PERC will fly in Uganda?” he asked. “Well, why don’t you switch the letters and call it a PRSC?”

It seemed like a reasonable suggestion. Very little extra work was needed. At the next Regional review meeting, Ritva got a clear signal from the Regional Vice-President that the Uganda credit will go forward as a PRSC. Thus the PERC morphed into a PRSC...

The team quickly discovered one hurdle. Technically, for a PRSC to be approved, the Government of Uganda had to first prepare a PRSP. Jim insisted that all this work had already been done over a number of years in the Government-initiated PEAP. All that was needed to make the PEAP reflective of the Government’s current strategy was some updating, and there was no need to waste time on doing the same exercise over again. Luckily, the argument was accepted and the Government’s prior work was wrapped into the PEAP/PRSP to be used as the foundation for the PRSC. The challenge now was to get the PRSC prepared and approved in synch with the Government’s next budget cycle, starting in July 2001.

Jim asked Ritva to be the PRSC team leader.

The first challenge was to narrow the focus down. Jim was clear that not everything can be tackled at once. After much consultations and discussion, the initial decision was to fold Health and Education under the PRSC. The decision was partly based on the fact the SWAP’s in these sectors provided a good foundation for prioritization and donor coordination. The Government though was keen on adding water access as a focal area, and after much debate, the third “basic services” sector was folded under the initial PRSC.

The thinking was to fold a number of other sectors gradually under the PRSC framework, once the right conditions are established and in line with the Bank’s and the Government’s capacity to manage the transition away from projects.

An Unusual Mission – and the Magic Begins to Happen...

Ritva fondly recalls the February and April 2000 then-PERC identification missions. These were unusual missions in many respects. For the first time, the Bank mission staff worked together as one integrated team. Ritva mobilized a large cross-sectoral team to work with Ugandans to prepare the PRSC, targeting the Bank’s contribution to improve the Government’s public service delivery – the most critical constraint to poverty reduction.

The team comprised of representatives from all sectors, and it totaled more than 20 staff members.

As part of this mission, Ritva’s team operated at two levels:

Sectoral Level

Bank Sector specialists met with their respective counterparts in Ministries of Health, Education, and Water Works to prepare a policy matrix for service delivery improvement, and to discuss key issues, challenges and priorities in the Sector.

The work in the water sector was quite intense. For the PERC/PRSC to work, donor coordination was critical. The Directorate of Water Works, with help from the Bank, convened several of the major donors and proposed a comprehensive budget support program, with no direct project funding. This was met by initial skepticism from several donors:

“The Bank is trying to impose its solutions on us”

“ It is against our rules to support the budget”

“How can we support the budget when 30% of it goes to defense spending?”

After much negotiation and mediation, the position of most of the donors softened up. For DANIDA, the compromise that was reached was a commitment to channel their support through the budget in three years, if all goes well in the interim. For a few other agencies, the commitment of the Bank and the Government to invest in local capacity building was the deal-maker.

Cross-Sectoral Level

Several team members worked with their counterparts in the Ministry of Finance, Ministry of Public Service, and other Central Ministries to help them zero on priority areas to focus the reform. The process was a mix of fact-based analysis, shuttle diplomacy, and political power plays.

In order to insure that the two levels were interconnected, Ritva insisted on daily evening meetings involving the whole team. Working late on missions has always been the norm. But spending every evening with 20-30 other colleagues and donor reps, listening to what they learned about their sectors during the day was a new, and at times, painful experience for several of the team members.

But Ritva persisted. Every evening at 6.00 p.m., she chaired a meeting at which team member specialists reviewed the day’s developments and shared cross-sectoral insights. Jim Adams signaled his support by attending whenever he was in town. Not everyone was happy to sit through discussions about other sectors, let alone contribute an opinion about the wider program. “What do I care about procurement?” one team member grumbled. “That’s why we have a procurement specialist on the team. These meetings waste a lot of time we could be spending fine-tuning program elements in our sector.” But others saw linkages and priorities emerging that would have been overlooked in the previous project silo approach. For example, a discussion about pay reform for teachers quickly revealed a much broader issue of pay levels and payroll mismanagement for public sector employees. That issue needed to be tackled at the level of the Ministry for

Finance and Ministry of Public Service, rather than having incomplete and potentially contradictory strategies being pursued in each sector ministry.

Teams members' willingness and capacity to contribute varied, but Ritva noted that some of the best insights happened when staff were freewheeling their ideas all over the usual sector boundaries.

Denyse Morin, one of team members suffering through the infamous evening meetings, recalls another aspect of the process that set it apart from her previous experiences. It was clear right up-front that the resulting action document would not be the usual compendium of documents developed separately by each sector team, but it would be something different. The document would emerge out of shuffling all the sector inputs together. In fact, rather than asking each sector manager to write their piece and string these together, the team developed the framework and refined it each day, based on insights gleaned the previous evening.

In addition, the insights that were exchanged at the daily evening meetings became the raw materials for creating a draft policy matrix, that would become the basis for the PRSC.

Perhaps most importantly, it was through these evening meetings that the cross-sectoral programmatic lending became real for team members. Ritva believes that it was in these meetings that people "got with the program." "I think it's very important that people see what they're a part of, that they have an overall understanding of the bigger picture. In these meetings, sectoral specialists got a rapid exposure to cross-sectoral issues."

Tony Hegarty, recalling the mission, remarked: "managing the skill mix of a team is a bit like mixing a cake: each member contributes ingredients to the cake which is the PRSC. The TTL's job is to manage the mixing process. Ritva did this by creating a lot of dialogue and cross-fertilization in those evening meetings. Team members were usually there, plus the occasional donor or Government counterpart. That's where the magic began to happen..."

More Dialogue – and a PRSC Takes Shape

Two other missions were conducted, as well as internal reviews and discussions in the Regional Vice-Presidency. These were aimed at refining the policy matrix, and working out the details of how the PRSC would operate.

The end result was a policy matrix (attached) built around four PEAP/PRSP pillars

- Pillar I: Framework for economic growth and transformation
- Pillar II: Ensuring good governance and security
- Pillar III: Directly increasing the ability of the poor to raise their incomes
- Pillar IV: Directly increasing the quality of life

The PRSC program was pulled together by the “three PRSC ladies”, Ritva, Satu, and Denyse, after reviewing Policy Matrix documents from Thailand and Latvia.

Improvements to the quality of education and health care, and improved access and equity in water and sanitation were the priorities under the fourth pillar. The PRSC also supported the implementation of cross-cutting reforms in areas such as procurement, financial management, public sector pay reform, monitoring of results, and anti-corruption measures. The three sectors were all benefiting from a HIPC debt relief grant in May 2000 at the same time that the PRSP was approved.

The PRSC appraisal mission in January 2001 was timed to coincide with the PRSP progress report mission. The aim was to finalize the policy matrix and reach agreement with the Government on the time frame for “prior actions” and the key benchmarks that would serve as disbursement “triggers”. Although the PRSC had been conceptualized as a single-tranche instrument, it made sense to align annual disbursements to coincide with the Government’s budgetary cycle.

The appraisal mission culminated with a three-hour wrap-up that brought together all the relevant Ministries and agencies, reps from other donors, as well as twenty Bank team members. The session was chaired by the new Secretary to the Treasury, and it was characterized by an unusually high level of transparency, and participation. A few champions from the sectoral ministries were beginning to emerge, an indicator that the ownership, commitment, and accountability circle was widening beyond the President and the former Under Secretary of the Treasury.

The Uganda PRSC proposal (attached) is now finalized. And it is being considered by the Board. The Board review session is scheduled for April 17...

PERSPECTIVES

For participants in the Uganda experience, the story is just beginning. The final chapters have not yet been written, and the outcome is far from certain. Here are a few perspectives of key stakeholders on the challenges that lie ahead.

Beyond Projects...

While the PRSC preparations were getting underway in Uganda, the implications were beginning to get real for team leaders at the Bank. When one sector specialist came forward with a proposal to renew funding for one of his projects, the response from Jim Adams was clear and unequivocal: “No new project funding will be approved, unless it is specifically linked to the PRSC. All our work in basis services has to be carried out within the framework of the PRSC. If that does not feel right to you, you may as well work on another country”

For Jim, it was a curious phenomenon that no one ever offered up their projects as low priority or no longer relevant. One sector specialist observed: “It is always the other guy’s projects that should go on the low priority list, never mine. We each feel this way, but we can’t all be right on this...”

Sector managers on the Uganda team, as enthusiastic as they may be about the overall approach, are somewhat uncertain about the implications, for them and for the client.

Here’s how Ato Borwn, senior water engineer, described his perspective: “the project framework offered a clear construct for adding value. We used our expertise to help clients identify and shape projects, and we provided on-going supervision support. What is the construct and venue for delivering value in the context of PRSC, once all the current projects have run their course?”

Another sector specialist, Alain Locussol expressed his concern about the potential impact on the quality of the work: “Initially I was quite skeptical. I was worried we would be cut out of the budgeting process. But Ritva was transparent in her budget allocation process. I think this might actually work. But I still worry about the quality of the work, now that the Government can potentially go it alone on projects. Is the Government aware of the areas where deep technical expertise is missing, and can it justify paying from its budget the level of fees required to mobilize this kind of expertise?”

We’ve Come a Long Way...

For Ritva, there is no question that this approach is the logical extension of the Bank's declared principle of "client in the driver's seat." She recalls with a sense of vindication the exchange she had with a senior colleague, when she solicited input from the Uganda team on the Government draft PEAP, back in 1997.

At the outset of the meeting, she made it clear that the document was prepared by the Government, and that all Bank inputs will be viewed in the context of consulting advice to the Government. Her colleague turned to her and said: "What kind of a task manager are you if you have no control of how this critical document is shaped?" That same evening, Ritva recalls, she wondered to herself whether she was in the right job, and in the right organization!

But she persisted. And two years later, another exchange drove home for her how far she and the Bank had come. One of the Ugandan Ministers dropped in to see her in her office in Washington. After the usual courtesies, the Minister dropped the hint that much work was needed in the area of mineral exploration, and that she would appreciate it if the PRSC included a provision to fund this. Ritva thought about this for a minute, and she politely replied: "I have no doubt that this is really critical, but under the PRSC you will have to convince your Cabinet colleagues, not me."

Rising to the Challenge...

Jim Adams takes a long view of the process. "This is just a step along the way, as we discover what it will take to really make an impact. And the process will be different in each country."

"What is critical in each case is to help countries get on a virtuous cycle of capacity building and positive outcomes. No matter where they are and what their capacity level is. And this will only happen if leaders in the country take real accountability for creating an impact, for the destination of the journey to fight poverty. And how can we expect leaders to take accountability for reaching a destination when we lay out the path ahead of them and ask them to travel on it?"

"Many would argue that the Ugandan Government does not have the capacity to manage the formidable coordination task of a PRSC. Frankly, I said the same about the EdSAC. But the Government rose to the challenge then. My hope is that the demands inherent in a PRSC will unleash the same hidden capacity at all levels in the Government."

"Sure we are taking a big risk. But if this is what it takes to reinforce leadership accountability in a client country, I am willing to take this risk. We'd be taking a greater risk if we continued to do what we've been doing for more than fifty years..."

And yet, for Jim, the path is not entirely clear. As he begins to set the stage for shifting the Tanzania program beyond projects and towards cross-sectoral programmatic lending, a few questions keep nagging at him:

- What is the minimal client capacity that is required before we even consider embarking on a journey like this one? And how do we gauge that?
- What can the Bank and others in the donor community do to jump start the virtuous cycle of capacity building and positive outcomes? Do we have to wait for a President to declare a seemingly impossible ambition – Universal Primary Education Now – and somehow convince everyone that the impossible can – and will – be achieved?
- And did the Uganda experience work (so far anyway) because of the lucky – or perhaps magical – combination of Ritva and her team, or can the positive aspects of the experience of pulling together a cross-sectoral programmatic credit be replicated with other teams and other team leaders?

The Real Work Has Just Begun...

Satu has a big job ahead of her. She will lead the PRSC1 supervision team (assuming it is approved by the Board), and start preparing PRSC 2. She has been part of the PRSC team for more than a year now, and she has experienced the magic of cross-sectoral team work conducted in true partnership with clients. But as she looks forward with excitement to the few months ahead, she too has more questions than answers...

- What does supervision of a PRSC really mean? And how should we organize supervision missions
- How do we collaborate with the Government to help them deliver on the commitments they took on in the policy matrix, and more importantly, on the expectations they have set within the Country?
- And what will we do if the second tranche “triggers” are not set off? What if we have misgauged the capacity of the Government to deliver? Or worse yet, failed to help them build their capacity to deliver? Can we afford to let them hang themselves by the rope we have given them?

Delivering on the Promise...

For Mr. Tumusiime, the journey from “give me the check” to the present has been a turbulent one. But the pace was not unusual for someone who is used to making things happen against all odds. The reality of it all though began to dawn on him when he reviewed some of the triggers in the policy matrix before meeting with Jim Adams.

The dialogue that ensued with Jim drove home the fact that the game has changed, and many of the old rules no longer applied.

“How would we know if these benchmarks are achieved? And who will determine that?” was Mr. Tumusiime’s opening question to Jim.

“I am not sure. We will have to figure it out together, and we will jointly decide on the implications in terms of the flow of funds in the second tranche.”

“You mean there will be no hard and fast conditions precedent to disbursement of the second tranche?”

“No. In fact, I can promise you that there will be some disbursement come your next budget cycle. How big or how small will depend on your capacity to use the funds to advance your poverty reduction agenda. And what better gauge of capacity than your actual track record over the next 12 months?”

“So it is up to us...”

“In our minds, it always has been. We just never made as clear in the past. Yes. It is up to you. But we’re here to help you deliver”

“O.K. Let’s start by figuring out a way to get the right people on board. Unless we implement a pay reform scheme in the next three months, we will have no chance to come anywhere close to these benchmarks twelve months down the road... Can you help?”

“That’s what we’re here for. I’ll get KK working on this right away...”