

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

URUGUAY

SUPPORT FOR CIVIL SERVICE REFORM

(UR-L1026)

EXECUTIVE SUMMARY

This document was prepared by the project team consisting of: Juan Carlos Cortázar (RE1/SC1), Project Team Leader; Ricardo Gazel (RE1/SC1); Gerardo Reyes-Tagle (RE1/SC1); Rosina de Souza (LEG/OPR); Roberto Fernández (COF/CUR); and Beatriz Guinovart (consultant). Marcella Distrutti (RE1/SC1) assisted in document production.

SUPPORT FOR CIVIL SERVICE REFORM

(UR-L1026)

EXECUTIVE SUMMARY

Borrower:	Eastern Republic of Uruguay	
Executing agency:	Oficina Nacional del Servicio Civil (ONSC) [National Civil Service Office]	
Amount and source:	IDB: (OC)	US\$1,379,000
	Local:	US\$1,137,000
	Total:	US\$2,516,000
Financial terms and conditions:	Amortization period:	25 years
	Grace period:	4 years
	Disbursement period:	4 years
	Interest rate:	Variable
	Inspection and supervision:	0.00%
	Credit fee:	0.25%
	Currency:	U.S. dollars
Objectives:	<p>This program will support the government in pursuing the goal of the program to modernize the tax system and enhance quality in public spending and the civil service (loan UR-L1021), now in preparation, namely, to help make the central government more efficient and enhance the quality of public spending. The program objectives and activities are therefore closely tied to the outcomes included in the policy matrix for that operation.</p> <p>The program's purpose is to achieve flexible, merit-based, coherent, and integrated management of central government human resources by instituting the necessary regulatory and institutional framework and introducing effective management systems. The specific objectives are to: (i) develop a job structure linked to a salary scale that will promote efficiency and quality in service delivery; (ii) develop and implement a human resources management model and information technology system at central government agencies for better human resource decision-making; (iii) design and implement a regulatory framework for the civil service enabling staff to develop a career that will promote efficiency and quality in service provision;</p>	

and (iv) ensure that the National Civil Service Office is capable of carrying out its crossagency responsibilities in the central government.

Components:

The program will finance the execution of four components:

Component 1: Integrated compensation and employment system (US\$687,300). This component seeks to develop a job structure linked to a salary scale that will promote efficiency and quality in service delivery. The global output will be the Integrated Compensation and Employment System (to be known by its Spanish-language acronym, SIRO) and the strategy for its implementation. The three subcomponents are: (i) job descriptions and evaluations; (ii) compensation analysis; and (iii) implementation of the compensation and employment system.

Component 2: Human resources management in the central government (US\$1,306,670). This component seeks to develop and implement a human resources management model and information technology system at central government agencies for better human resource decision-making. The global output will be implementation of the new human resources management model and system throughout the central government. The three subcomponents are: (i) development and implementation of the new human resources model; (ii) development of the human resources system; and (iii) implementation of the human resources system.

Component 3: Regulatory framework for the civil service (US\$44,380). This component seeks to design and implement a regulatory framework for the civil service, creating career tracks that will promote efficiency and quality in service delivery. Component activities will involve the drafting of a proposed regulatory framework for the civil service to be sent the legislative branch.

Component 4: Strengthening of the National Civil Service Office (US\$205,630). This component seeks to ensure that the National Civil Service Office (ONSC) is capable of carrying out its crossagency responsibilities in the central government. To that end, the ONSC's functions and structure will be reorganized, a training plan instituted for its staff, its information technology equipment upgraded, and a communication and dissemination plan implemented to reach central government workers.

Special contractual clauses:

Conditions precedent to the first disbursement. The ONSC will provide: (i) evidence that the Program Administrative Coordination Unit has been set up, including the selection, contracting, or assignment of staff; and (ii) evidence of compliance with the following recommendations of the institutional strengthening plan

resulting from the ICAS institutional capacity assessment, namely the preparation of: (a) the program's annual work plan; (b) job descriptions for the Program Administrative Coordination Unit; (c) formal financial programming procedures; (d) rules for resource management; and (e) a system for monitoring and oversight of program activities and outcomes.

Special condition precedent to the disbursement for component 2.

The executing agency will enter into direct contracting agreements with: (i) the Municipality of Montevideo for the provision of consulting services for the technology transfer of the human resources system to the central government; and (ii) the National Telecommunications Administration for provision of the services needed to adapt the human resources system to the needs of the central government and implement it.

The Bank's country and sector strategy:

The program fits into the Bank's strategy for modernization of the State, which identifies the development and strengthening of civil service systems as a priority area of action. It is also consistent with the Bank's Country Strategy with Uruguay 2005-2009 (document GN-2398-2), which calls for improved public administration and strengthening of the civil service as one of its priority areas.

Coordination with other multilateral institutions:

The ONSC currently has no other projects financed by other multilateral or bilateral development institutions.

Environmental and social review:

The Committee on Environment and Social Impact (CESI) approved the sector facility profile for this operation at its 3 March 2006 meeting, calling for no actions to mitigate potential environmental impacts.

Potential benefits:

Achievement of the program objective should have a positive impact on making the central government more efficient and enhancing the quality of public spending. As program outcomes, Uruguay will receive the following benefits: (i) a uniform and flexible compensation and employment system that will improve human resources management in the public sector; (ii) professionalized human resources units in the central government that are actively engaged in managing the human resources of their agencies in close cooperation with the ONSC; (iii) human resources management in the central government that promotes participation, transparency, and ongoing training, as well as creative solutions to enhance productivity and efficiency, as the new human resources management model is implemented; (iv) a regulatory framework for the civil service that enables workers to pursue a career track based on functions,

responsibilities, competencies, performance, and results; and (v) an ONSC that is fully capable of carrying out its crossagency human resources management responsibilities in the central government.

Potential risks: The main risks that may affect program execution include: (i) possible weakening of the government's political will to pursue civil service reform, which would affect budget projections for the Integrated Compensation and Employment System; (ii) resistance to change among the institutional, social, and political stakeholders, which would make it difficult to achieve the political and social consensus necessary to transform the civil service; and (iii) the effects of the institutional weaknesses of the ONSC. With regard to the first risk, the close linkage between the program and programmatic policy-based loan UR-L1021 will help to ensure that the civil service (which is one of the policy areas addressed in that loan) will remain a major concern for the government. With regard to the second risk, the program includes the following mechanisms that should help counteract resistance to change: (a) the Executive Council for Public Sector Collective Bargaining, a negotiation mechanism agreed on between unions and government that is already in operation; (b) training for change, dissemination, and communication programs designed to foster agreement on the outputs of components 1, 2 and 3; (c) the ONSC communication and dissemination plan, which will serve the same purpose; (d) the new human resources management model to be implemented in the central government (component 2), which will provide each area with an intelligent unit and a human resources management strategy that will help address specific resistance to change at each agency. With regard to the third risk, the program strategy seeks to generate outputs and outcomes related to civil service reform while at the same time strengthening the institutional capacity of the ONSC. The importance of strengthening the ONSC in parallel with the other program activities and outputs is reflected in the inclusion of component 4. A short-term institutional strengthening plan has also been agreed upon as a result of the ICAS institutional capacity assessment.

Poverty-targeting and social sector classification: This operation does not qualify as a social equity enhancing project, as described in the indicative targets mandated by the Bank's Eighth Replenishment (document AB-1704), nor does it qualify as a poverty-targeted investment (PTI).

Procurement plan and timetable; thresholds for international competitive bidding:

Goods. Procurements of goods will be conducted in accordance with Bank policy GN-2349-4 of February 2005. International competitive bidding will be mandatory for procurements with a value of more than US\$250,000 equivalent financed in whole or in part with the loan proceeds. Pursuant to Bank policies, national competitive bidding will be used for procurements with a value of US\$10,000 to US\$250,000. The shopping method will be used for procurements under US\$10,000. The program includes no works procurements.

Consultants. The selection and contracting of consultants will be conducted in accordance with Bank policy GN-2350-4 of February 2006. For the selection and contracting of consultants with a value of US\$200,000 or less, the short list may comprise entirely national consultants. However, foreign firms that express interest must be considered.

Procurement plan. Goods and services will be procured according to the procurement plan approved by the Bank. During the first half-year of program execution, the executing agency will contract a specialized firm directly to support the procurement of goods and consulting services. After that, the executing agency may fully take on the task of program procurement and contracting, or continue to rely on the specialized firm for a portion of them. The first five consulting procurements and five goods procurements conducted by the executing agency will be subject to prior review by the Bank. Subsequent procurements may be subject to post review, once the Bank has given its express consent to the change of system for each type of procurement.

Key performance indicators and benchmarks for supervision:

Monitoring and evaluation will be based on the indicators contained in the Logical Framework. In view of the program strategy (paragraphs 1.7 and 1.8), 27 of the critical benchmarks that the Bank used to construct the quality indicators for civil service systems have been selected as directly related to the subsystems covered by the program. Taking these benchmarks into account, the following civil service subindexes have been identified in the logical framework as relevant to program impact evaluation: (i) coherent strategy; (ii) consistent leadership; (iii) consistent processes; (iv) effective incentives; and (v) flexibility. The first three subindexes make up the **structural consistency** index, and the last two make up the **functional capacity** index. Both indicators are included in the logical framework to evaluate achievement of the program's purpose.

**Joint Bank/
executing
agency
reporting:**

The following reports will be produced for monitoring program execution: (i) program itemized budget; (ii) program procurement plan; and (iii) logical framework.