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INTERNATIONAL DEVELOPMENT ASSOCIATION

FIDUCIARY ASSESSMENT OF THE
BURKINA FASO LOCAL GOVERNANCE FOR BASIC SERVICES & RESILIENCE PROGRAM (P177875)

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Governance Global Practice
Western and Central Africa Region

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ANNEX 4. FIDUCIARY ASSESSMENT

1. **Risk assessment. The Program's fiduciary systems are acceptable, and they provide reasonable assurance on the use of the Program's resources. The fiduciary risk is rated Substantial.** The present Integrated Fiduciary Risk Assessment (IFSA) is based on: (a) audit reports; (b) fiduciary supervision reports; (c) implementation completion and results reports; (d) the 2017 PEFA, (e) the 2021 procurement capacity assessment of local governments, (f) the 2021 Public Expenditure Review (P174771); and (g) data available at the Supreme Audit Institution (SAI), ASCE-LC, ARCOP, Ombudsman, and REN-LAC. The IFSA highlights several challenges to the Program's implementation. Therefore, the fiduciary risk is rated Substantial. To ensure adequate implementation, the systems will require strengthening.

2. **Key weaknesses and potential anticipated risks that may affect Program implementation are summarized below.**

- (i) **Planning:** The involvement of several entities from different line ministries in the Program implementation could make the budget planning process more complex. In addition, the adoption of the Fiscal Transfer Programming Law, which could enhance the predictability of resources transferred to local governments, has been postponed.
- (ii) **Budget execution:** Limited staff, insufficient knowledge of the PforR instrument, delays in fiscal transfers, and low usage of budget allocations by local governments could negatively affect budget execution.
- (iii) **Accounting and reporting:** Differences in the accounting standards used by each implementing entity and weaknesses in the accounting systems at central and local levels could hinder the Program financial reporting by making the consolidation more complex and prone to errors. External audit and oversight are also affected by weaknesses in the accounting systems, which leads to delays in the preparation of financial statements.
- (iv) **Treasury and funds flow:** In-year regulation of the budget allocation, that can reduce the amounts that ministries are authorized to spend (cash rationing), have been identified as a key fiduciary risk.
- (v) **Procurement:** The electronic system (eGP) for procurement and management of public contracts are still not fully in place, despite the adoption of the 2017 Public Procurement Code;¹ and there remain long delays in awarding contracts (249 days for requests for proposals and 180 days for open tenders). Only SIMP (procurement information system) is in place for the publication of the procurement plans.
- (vi) **Contract management:** There is an absence of electronic contract management, which is necessary to increase transparency of procurement and improve monitoring of the contracting and execution phases.

3. **Mitigation measures. The IFSA identifies a comprehensive and articulated set of mitigation measures included in the Program's design.**

- (i) **Program's DLI:** To address the limited staff, the PBG will incentivize the LGs to recruit adequate fiduciary staff (Performance Indicator #1) and DLI#5 will support the redeployment of needed staff at the DSs with the view to provide hands on support to the LGs. The long delay in the procurement process will be addressed by DLI#6, which supports streamlining of the procurement process.
- (ii) **Technical assistance (TA):** The TA will cover LGs' fiduciary capacity building and the deployment of the accounting systems N@folo at the DSs and the LG's information management system

¹ Burkina Faso MAPS 2020 Report.

(*Circuit Intégré des Collectivités Territoriales – CICT*). The deployment of N@folo and CICT will improve the quality of financial information and reduce the time needed to produce financial reports. This will, in turn, facilitate external audits and parliamentary oversight. Technical assistance will also include training on PforR requirements for all implementing entities and Program stakeholders. The TA will be included in the PforR budget and costed in the annual work program. Dedicated TA will also be provided to deploy the electronic procurement system supported by the World Bank’s operations (Burkina Faso Digital Transformation Project – P177022 and Burkina Faso Electronic Government Procurement Support – P176026).

- (iii) **The Program Action Plan (PAP)** will include the adoption of the Local Fiscal Transfer Law and the setting up of an internal audit arrangement at ADCT. An annual audit plan will be adopted to ensure that each target LG is audited at least once by the SAI. The Program Steering Committee will follow-up the most significant audit recommendations at least twice a year.
- (iv) **Effectiveness condition.** The inclusion of accounting and financial procedures, including financial reporting templates, in the Program Operations Manual will be an effectiveness condition.
- (v) **The Program will use both existing Dedicated Treasury Accounts (CAST – *Compte d’Affectation Spécial du Trésor*) of the MFPTPS and of the MATDS.** The use of the CAST will avoid delays in fiscal transfers to LGs and mitigate the risk of cash rationing. It will help secure the financing of the TA’s activities. The CAST is a mechanism which allows funds to be ear-marked to specific Programs. Lessons learned from past PforR operations in Burkina Faso show that the CAST represents an appropriate mitigation measure to secure the continuous availability of funds for the Program. The Program will use the existing dedicated treasury special account² of the Public Sector Modernization for MFPTPS (CAST# 129) and the dedicated treasury account for MATDS, that has been opened in the 2023 finance law for the proposed program³.

4. **Fraud and corruption (FAC).** The ASCE-LC, with the support of implementing agencies, will promptly inform the World Bank of all allegations of fraud and/or corruption regarding the Program as part of the overall reporting requirements. This will be done twice a year. The World Bank will inform the recipient about any allegation that it receives.

5. **External Audit.** The Program’s annual financial statements will be audited by the SAI. The annual audit report will be submitted to the Bank not later than 9 months following the end of the fiscal year. The Program will support the operationalization of the SAI’s Chamber in charge of LGs’ audit.

6. **Exclusions.** There are no contracts with a value expected to exceed the exclusion OPRC review thresholds.⁴ LGs’ infrastructure will be excluded from PfoR financing. This suggests that the risk of contracts above the OPRC’s thresholds is low.

7. **Complaints management.** The existing procurement complaints management mechanism is deemed acceptable. The existing country procurement framework provides a well-functioning complaints mechanism relating to public procurement procedures oversight by ARCOP.

8. **Reconciliation of Program expenditure.** Disbursements under the DLIs will be compared with the PforR’s expenditures in the last year of the operation and a refund will be sought if DLIs paid are more than the Government program expenditure. To avoid last minute adjustment at project closure, an interim reconciliation of program expenditure will be conducted each year. The Bank and the implementing entities will agree on the format of the interim reconciliation of the program at appraisal.

² CAST 129 – Public Sector Modernization (Compte d’Affectation Spéciale du Trésor 129 “Support à la modernisation de l’Administration Publique”)

³ Article 113 of the 2023 finance law (Law No 029-2022/ALT adopted on December 24th, 2022)

⁴ USD 75 million for the civil works, USD 50 million for the goods, USD 50 million for non-consulting services, and USD 20 million for consulting.

ANNEX 4. FIDUCIARY SYSTEMS ASSESSMENT

COUNTRY: Burkina Faso

Burkina Faso Local Governance for Basic Services & Resilience Program

1. **The Program's fiduciary systems are acceptable, and they provide reasonable assurance on the use of the Program's resources.** The fiduciary risk is rated Substantial. To ensure adequate implementation, the systems will require strengthening. Activities will be implemented by (a) PACT PIU, (b) SP MAGB, (c) ADCT, and (iv) target LGs. Table A.4.1 presents a breakdown of the program per Implementing agencies.

Table A.4.1: Program expenditure per implementing agencies

Budget Line	Activities	Government Program (USD million)	Government Program (%)
Results Area 1: Improving delivery of selected basic services (education, justice) in target local public entities		151.3	68%
Section 09 Program 14 Action 01406 Increasing LGs resources	Minimum school bags & Food for school canteens	89.8	40%
	Improvement of COGES Governance, and COGES recurrent cost	6.7	3%
Section 09 Program 15 Action 01501, 01502 and 01503 Modernization of the Civil Registry	Civil registry services	10.0	4%
Section 10 Program 17 Action 01707 Activity 170703 Capacity Building of Departmental Tribunals	Proximity justice (Departmental Tribunals)	5.0	2%
Section 22 Program 50 Action 0502 Activity 0500213	IDP Essential household kits	10.0	4%
Section 10 Program 20 Action 02002 Prevention and management of community conflicts / Section 1 Program 001 Activity 00128 Social Cohesion	Prevention of conflict	5.0	2%
Results Area 2: Improving institutional performance of target local public entities		95.8	43%
Section 09 Program 14 Action 01406 Increasing LGs resources	PBG to finance the rehabilitation of primary schools, primary health centers, and the promotion of (i) renewable energies for schools, health centers, and public spaces, and (ii) planting of trees in schools and public spaces.		
	Operationalization of ADCT's Technical Assistance Unit	40.0	18%
Section 18 Administration Reform Program	Supervision and Technical Assistance missions of the DSs to the LGs. Deployment of upgraded human resources management system. Redeployment of civil servants in regions.	20.0	9%
Section 09 Program 11 Action 01101 Organization of administrative districts	Restoration of Governorates, Provinces, and Prefectures	26.8	12%
Section 09 Program 14 Action 01406 Increasing LGs resources	Program Coordination / Supervision Cost of PBG including SUPERMUN /Scaling up of Critical Mass of Projects and Programs Professional Initiative / Implementation of Environmental and Social	9.0	4%

	Safeguards activities / Independent Verification of DLIs / External Audit		
Total		222.3	100%
PforR Contribution		150.0	67%
Government Contribution		72.3	33%

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2. **Data collection and methodology.** The IFSA is conducted through a methodical review of systems and practices at the national and local levels. The fiduciary risk assessment is based on (a) audit reports, fiduciary supervision reports, implementation completion and results reports of the Public Sector Modernization Program (implemented by the SP MABG) and the Local Government Support, COVID-19 and Resilience Response project (managed by the PACT – PIU), (b) ADCT audit reports, (c) information and data from the 2017 PEFA, (d) the 2021 procurement capacity assessment of local governments, (e) the 2021 Public Expenditure Review (P174771) on fiduciary management at deconcentrated and decentralized level, (f) the fiduciary performance score from SUPERMUN, and (g) data available at the SAI, ASCE – LC, ARCOP, Ombudsman and RENLAC. These data comprise budget execution rate and the performance indicators of the various entities.⁵ Data are completed by field visits to a sample of LGs and interviews with key stakeholders. The findings and proposed mitigation measures have been shared with stakeholders and government officials, including representatives of the Ministry of Economy, Finance and Prospective (MEFP), MFPTSS, and MATDS.

3. **The IFSA covers the following implementing entities** (i) PACT – PIU; (ii) SP MABG; (iii) ADCT (iv) and target LGs.

Program Fiduciary Arrangements

Overview of the Country PFM Cycle

4. **Burkina Faso’s PFM system is organized around the WAEMU directives on PFM of 2009, which the country has gradually internalized in its legal system.** The directives require a results-based approach to PFM to improve effectiveness, efficiency, and transparency of the system. In 2017, Burkina Faso was one of the first countries in the WAEMU zone to introduce a programmatic budget approach, including budget allocation based on performance indicators. Annual performance plans and performance reports are now produced by all line ministries, and the orientation of the budget is debated each year in the National Assembly. Further, the deconcentration of the budget function from the line ministries to the local level has been relatively effective. Systems for multi-year programs and financial traceability are in place through a budgeting-accounting system aligned with programs and sub-programs.

5. **National governance entities have demonstrated that they meet the required standards** to (a) perform independent verification and investigation (ASCE – LC), (b) handle citizen complaints (Ombudsman of Burkina Faso and ASCE – LC), (c) regulate the procurement system (ARCOP), (d) carry out external audit (SAI), and (c) voice citizen concerns and exercise watch dog roles (RENLAC).

6. **The latest PFM assessments, however, highlight several challenges to effective decentralization of services that may affect Program implementation:**

⁵ Average number of bids received, procurement lead time, percentage of contracts awarded within the service standards, percentage of contracts subject to a competitive process, lead time for publication of procurement plan, budget execution and payment rates, performance during contract administration, number of complaints received and their redressal, and type of fraud and corruption cases received and processed.

- (i) inadequate performance in terms of (a) budgetary discipline; (b) strategic allocation of resources; and (c) effective and efficient delivery of public services;⁶
- (ii) persistent weaknesses in multi-annual programming, ex ante project appraisal, and project selection, which constrains the provision of quality public investments;⁷
- (iii) The tools electronic system (eGP) for procurement and management of public contracts are still not fully in place, despite the adoption of the 2017 Public Procurement Code; and consequently, there remain long delays in awarding contracts (249 days for requests for proposals and 180 days for open tenders). Only SIMP (procurement information system) is in place for the publication of the procurement plans;
- (iv) there is an absence of electronic contract management, which is necessary to increase transparency of procurement and improve monitoring of the contracting and execution phases.

7. **To address these challenges, the Government began in 2019 to implement the Integrated Action Plan for PFM Reform, with support from the donor community.** The plan's objective is to provide a basis for planning, dialogue with stakeholders (technical and financial partners and civil society) on priorities and monitoring of progress on PFM reform. The World Bank-funded Economic Governance and Participation Project (P155121) supported implementation of the Action Plan.

Review of PFM Cycle of the Entities Involved in the Program

Planning and budgeting

8. **The Program's planning and budgeting processes will follow the national procedures, which are acceptable despite a few shortcomings on budget reliability.** The 2017 PEFA and the 2022 Public Expenditure and Revenues Review (PERR) revealed that Burkina Faso still faces some weaknesses in terms of overall budget reliability (Performance Indicators 1 & 2 rated D) mainly because of Common Inter-Ministerial Expenditure. This expenditure is budget appropriations entered and managed by MEFP on behalf of line ministries to be used for both operating and unforeseeable expenses. It represents 10 percent of budget expenditure, thus revealing the need for further transparency in the allocations to line ministries.⁸ Fiduciary review of PACT – PIU, SP MABG, and ADCT did not reveal significant risks in the budget and planning process. Budget allocations for PACT – PIU, SP MABG, and ADCT are included in their respective hosting line ministries budgets.

9. **The fiduciary assessment reveals that the involvement of several entities from different line ministries in the program's implementation could make the budget planning process more complex.** The program will involve two different line ministries (MATDS, MFTPTS), target LGs, and one parastatal (ADCT). The program expenditure framework will be spread among various budget lines. This could hinder the planning and monitoring of Program expenses.

10. **In addition, the fiduciary assessment of LGs reveals weaknesses that could negatively affect the program's implementation.** These relate to (i) inadequacies in the evaluation of needs leading to insufficient requests for funds, (ii) insufficiencies in procurement planning, (iii) social infrastructure site changes, which lead to significant delays in the provision of school supplies, food for canteens, and rehabilitation of social infrastructure.

⁶ Burkina Faso PEFA 2017 indicators

⁷ Burkina Faso PIMA 2017

⁸ Burkina Faso PERR 2022

11. **Lastly, adoption of the Fiscal Transfer Programming Law,⁹ which could enhance the predictability of resources transferred to local governments, has been postponed to October 2023 after the second military coup.** The objective of the Fiscal Transfer Programming Law is to enhance the predictability and transparency of resources transferred to local governments, through the publication of the indicative allocation of amounts transferred and the rapid disbursements of funds during the fiscal year. Local Fiscal Transfer Law was supported through a previous operation (Local Governance and COVID-19 support Project P120517 – IPF). The law is at the last stage of review by the Government before transmission to the Transition Legislative Assembly. Its adoption was delayed by the January 2022 military coup and postponed to October 2023 after the occurrence of the second military coup.

12. **To mitigate the budget planning risks above, the Program Action Plan (PAP) will include adoption of the Local Fiscal Transfer Law.** Fiduciary capacity building for local governments will be part of the Program’s technical assistance. In addition, a clear Program Expenditure Framework has been developed as part of the PforR’s preparation. The Program Expenditure Framework will be consistent with the Finance Law and will include budget lines of various implementing entities. The Program Expenditure Framework and related annual budget will be updated and approved by Project stakeholders. Each implementing entity will prepare an annual budget, consistent with the Program Expenditure Framework. The annual monitoring of the Program Expenditure Framework will be part of fiduciary supervision. Program technical assistance will include capacity building to improve financial management and procurement of LGs.

Procurement Profile of the Program

13. **Detailed review of the Program Expenditure Framework (Table A.4.1) revealed no potential contracts with a cost estimate above the OPRC review thresholds.** PforR procurement activities exclude capital expenditure. The main procurement activities relate to the minimum school bags, for which the annual average contract per LG amounts to US\$ 60,000. Other contracts to be procured over six years include goods (essential household kits, US\$ 20 million); non-consultant services (small furniture and equipment); and consultant services (capacity building, deployment of information management system, and training). There are no contracts with a value expected to exceed the exclusion OPRC review thresholds.¹⁰

Procurement planning

14. **During the preparation of the annual budget, all ministries are invited to draft a procurement plan which is joined to the budget package and submitted for the approval of the National Assembly.** Once the budget is approved, ministries are invited to adjust and finalize procurement plans then send them to the General Directorate for Procurement Control and Financial Commitments (*Direction Générale du Contrôle Des Marchés et des Engagements Financiers – DGCMEF*) for approval and publication.

15. **At the ADCT level, the General Procurement Plan (GPP) is prepared after the approval of the annual work plan and budget by the Board of Directors.** The GPP is then reviewed by a committee and adopted by the Board before being sent to the DGCMEF for approval and publication. The procurement plan of ADCT is integrated in the procurement plan of MATDS and published

⁹ *Loi de programmation financière des ressources à transférer aux collectivités territoriales*

¹⁰ USD 75 million for the civil works, USD 50 million for the goods, USD 50 million non-consulting services, and USD 20 million for the consulting

16. **At the LG level, procurement planning is an area for improvement, about 20 percent of the target LGs experienced issues.** These include absence of procurement plan and non-approval of procurement by the procurement control body. Only 68 percent of procurement plans after adoption by the review committee are published. 65 percent of modified procurement plans are not approved by the review committee of the local government.

17. **Measures will be included in the PBG framework to mitigate risks related to the weaknesses of procurement planning.** A performance indicator related to timely publication of the approved procurement plan by the review committee will incentivize the target LGs to address this.

18. **Budget execution: inadequate procurement procedures in the context of the security and COVID-19 crises could impair budget execution.** Although the Government simplified procurement procedures in 2021, implementation problems persist in fragile areas. While a strategy for public procurement in fragile areas is being drafted, a more systematic approach to revising the Public Procurement Code is still needed. Further, the lack of delegation of authority to the DTSs for the delivery of goods and services has had the effect of delaying the entire chain of public investment and the provision of basic services to the population. In 2022 a decree simplifying procurement processes to improve the functioning of the Sahel Emergency Program (*Programme d’Urgence pour le Sahel – PUS*) was adopted. Its implementation revealed additional shortcomings affecting a rapid response in a crisis. The Program Action Plan aims to address these issues through adoption of a revised procurement code and implementing decrees, including provisions for procurement in crisis and post-crisis situation.

19. **The fiduciary assessment revealed weaknesses in budget execution for each implementing entity.** The budget execution rates of each implementing agencies are presented in the table below:

Table A.4.2: Budget execution rates

		Budget execution rate (%)		
		2019	2020	2021
PACT	Recurrent expenditure	76.38	99.92	92.39
	Capital expenditure	41.87	78.54	99.88
SPMABG	Recurrent expenditure			
	Capital expenditure	52.91	79.82	73.76
ADCT	Recurrent expenditure	84.93	96.38	85.38
	Capital expenditure	54.78	59.30	47.39
LGs covered by PACT	Recurrent expenditure	66.85	69.14	64.3
	Capital expenditure	45.66	48.75	47.08

(a) **PACT – PIU. Budget execution rates could be affected by insufficient knowledge of the PforR instrument by the PIU.** The PACT – PIU has successfully implemented the Burkina Faso Local Government Support Project (P120517). Budget arrangements are deemed acceptable. However, budget execution suffers from insufficiencies resulting mainly from delays in transmitting funds to some local governments and limited financial management staff in certain LGS. Budget execution has also been adversely affected by insecurity. Budget execution rates of Project P120517 over the period 2011-2021 was satisfactory, with an overall 97 percent execution rate at the closing date. However, the PIU is not familiar with the PforR and this could cause delays at

the beginning of the Program.

- (b) **SP MABG. Budget execution rates have been affected by the security and health crises.** SP MABG implemented the previous Burkina Faso Public Sector Modernization Program (PSMP - P132216) from 2016 to 2020. Budget arrangements were deemed acceptable. However, budget execution was affected by the security context, social unrest, and the COVID-19 pandemic. Average budget execution rate of the Program over the period 2016-2020 amounted to 69.61 percent (except in 2016 when it was 26.12 percent, largely because of a long delay in the start of activities due to initial technical difficulties and necessary adjustments to implement the PforR).¹¹
- (c) **ADCT. Budget execution could be affected by LGs' limited absorption capacity and external factors.** Budget execution rates in 2017 and 2018 amounted to 40 and 39 percent respectively. Through 2019-2021, the budget execution rate averaged 88.9 percent for recurrent expenditure and 53.82 percent for capital expenditure. Budget execution was affected by (i) recurrent strikes in the public administration, (ii) the replacement of ADCT general manager in 2018, (iii) late submission of supporting documents by the LGs resulting in long payment delays by ADCT to LGs, and (iv) limited absorption capacity of LGs (see below). Indeed, the disbursements of ADCT to the LGs are based on justification by LGs of eligible expenditure of the allocated funds. The ADCT manual of procedures indicates a period of 45 days for the transmission of supporting documents by the LGs and a payment period by the ADCT of 12 working days following the transmission of the documents. In practice, over the last 3 years these delays have averaged respectively 3 to 6 months and 32 days. To mitigate this issue and improve budget execution rates, the deadlines for the transmission of supporting documents constitute a criterion in LGs annual performance evaluation for resources allocation by ADCT and measures has been also taken to respect the payment deadlines by the ADCT.¹² ADCT have dedicated additional staff to streamline fund disbursement to LGs.
- (d) **LGs. Delays in transfers, poor procurement, limited staffing, delay in vendor payments, and insecurity affect budget execution.** The average budget execution rate for a sample of 30 LGs was 47.16 percent for capital expenditure and 66.76 percent for recurrent expenditures over the period covering 2019 to 2021. Budget execution rates are adversely affected by (i) poor staffing, (ii) lack of coordination between LGs and DTS, (iii) inadequate and lengthy procurement procedures, (iv) delays in transfers of funds to the LGs, with average delays of 3 months experienced over the last two years, and (v) delays in vendor payments by LGs, averaging 27 days between 2018 and 2020.

20. **To mitigate the budget execution risks above, the Program will support adequate fiduciary staffing for LGs and include training in technical assistance activities. In addition, the Government will open a dedicated treasury account to streamline fiscal transfers to local governments (effectiveness condition).** The Program will support the adequate staffing of LPE through the redeployment of civil servants to DTS (DLI #5) and adequate staffing in LGS (Performance Indicator for the PBG). In addition, the Program will include training workshops on the fiduciary requirements of PforR for all stakeholders and implementing entities. Last, the GoBF will open a dedicated treasury account for MATDS. The opening of this account will be an effectiveness condition.

¹¹ Public Sector Modernization Program, Government Implementation Completion Report

¹² Adoption by ADCT Board of Directors of the streamlined methods of disbursement for the LGs

Accounting and Financial Reporting

21. **State financial reports were being prepared with significant delays and are sometimes not comprehensive.** Significant improvements in timeliness were noted in 2021, with the adoption and publication of annual financial reports for years 2016 to 2020 and the 2021 financial reports were sent on time to the SAI which transmitted them to the Legislative Assembly in September 2022. However, they are not comprehensive, especially in terms of liabilities and assets. In-year budget execution reports are produced for each quarter but often take between 6 and 8 months after the end of the quarter. There are three reasons for these major shortcomings: (i) the budgetary and accounting information systems at the central level are not interfaced,¹³ (ii) there is a lack of clarity on the roles and responsibilities of authorizing officers and accountants in the financial information chain, and (iii) the network of accountants at both central and local levels has not been fully deployed, which is hampering consolidation and the reliable and rapid reporting of accounts.
22. **Burkina Faso's accounting system does not fully comply with the accrual accounting basis.** Double-entry accounting is used, and expenditure is recorded when incurred. The financial statements consist of a trial balance, a balance sheet, a profit & loss account, and a cash flow statement as well as annexes.
23. **Assessment of the existing accounting and reporting processes at the level of each entity of the Program is as follows:**
- (a) **PACT – PIU. The accounting policies and procedures applied for the Local Government Support Project (P120517) were in line with the West African Francophone countries accounting standards.** The interim financial reports were received on time each quarter. PACT – PIU uses TOMPRO accounting software and carried out the consolidation of the project financial data at the central level with those from the LGs to produce consolidated financial statements of the project. The financial data of the LGs were collected based on an agreed model of balance sheet with the PACT-PIU and send to the PIU within ten days after the closing of the quarter as stated in the PIM. Based on that experience, the PACT-PIU will be responsible for consolidating the financial statements of the different implementing agencies and preparing the financial statements of the Program.
 - (b) **SP MABG. Accounting and reporting procedures are in line with national procedures.** SP MABG uses the CID, which is being replaced by N@folo in 2023. Accounting and financial reporting arrangements for the Public Sector Modernization Program (P132216) were assessed as adequate. The Program followed the financial reporting arrangements, with quarterly interim financial reports submitted on time and deemed acceptable by the World Bank during the project lifetime.
 - (c) **ADCT. As a parastatal, ADCT should prepare financial statements according to the national public accounting standards.** However, as a State Fund it benefits from a derogation measure, to present financial statements according to accounting standards specific to national funds which are not yet effective. In the meantime, ADCT establishes (i) a statement of resources and use of funds (ii) budget execution reports, and (iii) notes to the financial statements. The ADCT accounting system is cash-based.

¹³ At the central level, the Integrated Expenditure Tracking System (CID), and the Integrated State Accounting (CIE) have limited capacity to facilitate the implementation of program budgets. The N@folo integrated information system is being deployed to replace these.

(d) **LGs. Accounting, and reporting procedures are in line with the national procedures (accounting standards for LGs).** At the local level, the Integrated Financial Management System of Territorial Collectives (CICT), is not yet widely deployed, hampering reporting to the central level. As of December 31st, 2021, 56 local governments out of 349, i.e., 16 percent of LGs had successfully deployed the CICT. In the case of the Local Government Project (P120517), the financial data of 30 LGs was collected based on an agreed balance sheet.

24. **Differences in the accounting standards used by each implementing entity and weaknesses in the accounting systems at central and local levels could hinder the Program's financial reporting.** The consolidation of financial reporting, the reconciliation between Program expenditures and disbursements, can be adversely affected by different accounting standards. Weaknesses in accounting systems could make consolidated reporting more complex and prone to errors.

25. **To mitigate the abovementioned risks, the Program will support the deployment of N@folo at the DTS and CICT at local levels, and the implementing agencies will adopt the Pgr. OM, which will include accounting and financial procedures and, more specifically, harmonized templates and standards for financial reporting.** In addition to the Pgr. OM, the program will use appropriate financial management software for accounting and consolidation of program expenditure. The harmonized templates will build on similarities that exist in the statement of resources and use of funds and budget execution reports prepared by PACT – PIU, SP MABG, and ADCT for their annual financial reporting. Each implementing entity will prepare an interim financial report each quarter. A consolidated quarterly financial report will be prepared each quarter and submitted to the Bank, 45 days after the end of each quarter. The PACT-PIU will be responsible for consolidating the financial reports and financial statements of the Program, linked with the elements included in the PEF. The annual financial statements will include (i) statement of resources and use of funds, (ii) budget execution reports, (iii) notes to the financial statements including a list of fixed assets and a list of commitments, debtors, and creditors. The Pgr. OM will be funded by government resources and will be an effectiveness condition.

Procurement bidding and evaluation processes and procedures

26. **The program's resource-based procurement will follow the national procedures of Burkina Faso.** The national procedures are described in Law No. 039-2016 / AN on the General Regulation of Public Contracts and detailed in Decree No2017-0049 / PRES / PM / MINEFID of February 1st, 2017. Procedures for the Award, Execution and Settlement of Public Contracts and Public Service Delegations will apply to this program. Article 23 of Procurement Law 039-2016 and article 52 of Decree No 2017-0049 mention that open tendering is the default method for works, goods, and non-consultancy contracts. For consultant services, a Request for Proposal preceded by an Expression of Interest is the process to be used. Other procurement methods, like limited competitive bidding and single source, are exceptional and the conditions for the use of such methods is well framed in the documents.

Procurement performance

27. **There are a number of explanations for delays in the procurement process at ministry level as well as LGs level:** (i) the lack of maturity of the projects, as certain projects are included in the budget before feasibility and technical studies are available; (ii) delays in the review of files by the structures in charge of prior control; (iii) delays in the publication of contract award results; (iv) difficulties in mobilizing technical sub-commissions; (v) delays in the evaluation of bids; (vi) numerous non-foreseen interactions between contracting authorities and control structures due largely to the absence of a manual of procedures clearly defining the elements subject to the control; and (vii) long contract approval times.

28. **In December 2019, ARCOP conducted an evaluation of procurement performance.** More than four hundred of contracts were covered. The report showed that average times for procurement contracts were 100 days for goods, 91 days for works, and 102 for consultant services. Some ministries performed better than others. To improve the situation, the regulatory framework of the public order in force in Burkina since January 2017 has defined reference deadlines for each stakeholder in the chain. Table A.4.3 outlines performance of procurement activities conducted by ARCOP in 2019.

Table A.4.3: Lead-time from the bids opening to the contract’s approval

	Normative delay	Average delay observed
Delay in the review of files by the structures in charge of prior control	≤ 3 days	16 days
Contract approval delay	≤ 3 days	17 days

Source: ARCOP: procurement performance evaluation, 2019

29. **The order No 2017 – 389 / MINEFID / CAB provide details on deadlines at each step and for all actors.** The referential will be used to measure the performance of the PforR procurement system for this aspect. In addition, the order no2017 – 393 /MINEFID/CAB on the procurement plans, mention at article 2 that each procurement entity has the obligation to prepare annually a report that gives the status of procurement plan implementation, this report is sent to the DCMEF and to ARCOP. An annual report on procurement implementation will be prepared, including but not limited to the following aspects: (i) the status of procurement plan implementation (percentage of total contracts signed compared to the total amount of the PP), (ii) the percentage of contracts signed by procurement method, and (iii) the average length of each procurement process.

30. **A local level procurement capacity assessment of 294 out of 351 LGs, including the LGs participating in this Program, was undertaken in 2021.** The findings indicated the following main risk areas: informal decision-making in the management of local governments; insufficient definition of the stages of the procurement process in the procedure manual; inappropriate procurement plan; non-compliance with activity launch dates provided in the procurement plan; insufficient specialized training in procurement; insufficient qualification and experience of the procurement officer; violation of the principle of transparency during the procurement process and in the execution of contracts. To address and mitigate these risk areas, the PBC includes performance indicators on (i) the appointment of a qualified procurement officer in each LG, and (ii) execution of planned improvements to procurement processes and procedures. This will be complemented by support provided by ADCT regional offices and the DTSs in the procurement process. In addition, DLI#6.2 aims also to incentivize the LGs to improve their contract execution rate.

Publication

31. **The publication of notices and results has been identified as a major bottleneck in the procurement process.** Section 2 of the Decree No 2017-0049 refers to the Public Procurement Magazine (*Revue des Marchés Publics*) as the regulatory support for publications. Contracting authorities may additionally publish on their sites. If the contract reaches the threshold for community advertising, it must also be published on the WAEMU website. According to Order No.2017 / 389 / MINEFID / CAB, adopting the public procurement deadlines and the public service delegations, the DGCMEF has three days to review the files and opinions for publication and three days to give an opinion on the results and publish them. But in practice these deadlines are not respected, and they reach weeks or even months. This

service encounters some challenges, including: (i) insufficient staffing, (ii) limited hardware and other inputs, (iii) problems of connection to the internet, and (iv) the difficulty of publishing online on the portal.

32. **In view of these challenges, the IFSA recommends supporting DGCMEF to acquire equipment needed to speed-up publication and improve the internet connection.** In the medium and long term, it is recommended to support the ongoing development of electronic procurement under DGCMEF's leadership. This support is being provided by other World Bank's operations (Burkina Faso Digital Transformation Project – P177022 and Burkina Faso Electronic Government Procurement Support – P176026). Also, it is envisaged that the DGCMEF website will be redesigned to allow the contracting authorities to publish directly. For international publication it is possible for the service to establish a partnership with United Nations Development Business (UNDB). Another solution may be revision of the Decree to allow the contracting authorities to send an intention of attribution before formal notification the result. The intention of attribution would include information on the right to challenge and state the deadline for receiving complaints about the results, thereby beginning the standstill period for any contestation of results much earlier.

International tendering

33. **The program has no significant contracts that will require international publication, most procurement activities will be conducted by local governments.** Even though open tendering is the default method it does not appear that for high-value and high-complexity contracts open tendering must be open internationally. In addition, there is no provision for the publication of international notices.

34. **In case any international publication is required, the IFSA recommends:**

- a. Establishing clear thresholds above which the procurement process should be open internationally. Procurement for works contracts above five billion FCFA, goods and non-consultancy contracts above five hundred million FCFA, and consultant services contracts estimated to three hundred million FCFA and above, use an international approach of the market. These thresholds should be included in the Pgr. OM.
- b. Advertising notices of contracts procured at ministry level in the context of the Program to be published internationally on, for example, UNDB or dgMarket. This measure should be stated in the Pgr. OM. During Program preparation, MATDS (PACT – PIU and ADCT) and MFPTPS (SP MABG) should ideally enter a partnership with an international publication to ease the task of proceeding with international notice once the Program is declared effective. The World Bank team could facilitate this partnership.
- c. Reviewing the quality of standard bidding documents to enhance participation of international bidders. The government, via ARCOP, has developed a standard Bidding Document (BD) reflecting the new procurement framework and WAEMU guidelines. The use of this standard bidding document is mandatory at ministry and local government levels. But there are areas for improvement. The IFSA recommends that during Program implementation clauses related to the rejection of bids due to variation of more than 15 percent of the basic bid amount after correction or deemed abnormally low or high (plus or minus 15 percent of an average) will not be applied. Clause IS 17.6 of the BD for works and Clause IS 21.6 of the BD for works should be deleted or declared not applicable. Other key aspects of improvement are (i) to allow certain percentage of the total contract value to be expressed in hard currency to reduce the risk of price fluctuation for complex contracts above certain thresholds; and (ii) to introduce amicable dispute resolution and arbitration mechanisms.

35. **Debarred/sanctioned firms:** The task team shall work closely to ensure that debarred firms/individuals are not awarded contracts. To ensure this, the project task team shall provide the project team at ministry and local government levels with an updated list of debarred firms. The procurement specialist at all implementing agencies shall also be given training to access the Bank's external website for debarred firms to always check and ensure that such firms and individuals are not awarded contracts under the program.

36. **Contract administration:** Title III-chapter 2 of the Procurement Code prescribes the contract execution conditions and indicates the contract cancellation procedures and penalties applied to the different parties. There is no formal data about contract administration. Stakeholders have notable challenges in providing adequate contract administration and management.

37. **The capacity of the entities involved in the program for contract administration will need to be strengthened** to ensure the effective implementation of Program activities, ensuring the achievement of the expected results within the stated timeframes. To this end, it is recommended that an adequate contract administration and monitoring system is defined in the Pgr. OM, setting out the process and requiring evidence of contract performance regarding time, quality and cost, inspection of quality of the works, goods, and services delivered, and timeliness of payment. The focus would be to ensure the continuous and sustainable development of the capacity of staff in procurement and contract management, both at the ministry and local government levels.

Internal control and audit

38. **The Program's internal control arrangements are adequate at central government level.** At the central level, the internal control, including the internal audit system, is supported by IGF, a structure attached to the MEFP responsible for monitoring and overseeing the internal control/audit at the level of public institutions and entities. Indeed, the IGF has the technical and human skills necessary to accomplish its mission, even if there are areas for improvement, such as increasing the number of inspectors. Over the last two years, the IGF has executed and implemented more than 60% of its audit plan. It should also be noted that since 2018, the IGF has satisfactorily performed the internal audit function of the water supply and sanitation program (P164345). This monitoring is done through audit missions on a semi-annual basis, and the quality of the reports are acceptable even submitted with delay. The internal audit function for the Program will be carried out by the IGF who will conduct an internal audit mission twice a year in a year and this will be integrated into the PAP. An agreement will be signed between the Program and the IGF to define the terms of the audit mission including the development of an annual audit plan and follow-up of audit recommendations. In addition to the action of the IGF, ADCT will extend internal audit on LGs and MATDS will appoint an internal controller at PACT- PIU. Those mitigation measures will be included in the Program Action Plan.

The assessment of the internal control arrangements at the level of each entity of the Program is as follows:

- (a) **PACT-PIU:** The PIU is endowed with an adequate internal control platform (manual of procedures, information management system, segregation of duties between the budget holder and the accountant, annual audit workplan and risk map). There was an internal controller appointed by the Ministry of Finance during the implementation of the Local Government Support, COVID-19 and Resilience Response Project (P120517). The internal audit report was submitted on a semestrial basis to the Ministry of Finance and the recommendations implemented.

- (b) **SP MABG:** The entity chart of management includes an internal control unit, which is not yet operationalized. A manual of procedures and monitoring & evaluation mechanism was developed during the implementation of the PMAP project and remains valid. The financial controller, appointed by the MEFP, verifies the regularity of entity expenditure. In addition, SP MABG is subject to the control of state control bodies (ASCE, IGF) and recommendations from the various control bodies are followed by the Finance and Logistics Department of the entity.
- (c) **ADCT:** The entity environment of control is deemed acceptable. There is a manual of procedures, tasks are well separated across the entity, and the reporting system is effective. There is a risk map which is regularly updated and an annual internal audit plan. The annual audit plan is adopted by the Board of Directors as well as the risk mapping. An internal auditor is appointed and completed 67 percent and 78 percent of the annual workplan in 2020 and 2021 respectively. The internal auditor monitors the implementation of the recommendations resulting from both internal and external audits. The recruitment/appointment of two internal auditors will be essential to improve the internal audit arrangements and mitigate operational risks.
- (d) **LGs:** At the level of the 30 target LGs, internal control is under the responsibility of the General Secretaries and the financial controllers. In practice, LGs' internal control environment is characterized by inadequate internal control procedures, such as the lack of a manual of procedures and internal control tools (risk map, annual workplan) customized to their needs, and weaknesses in risk management. To mitigate this risk, a set of measures will be implemented such as the appointment of additional qualified fiduciary staff based on agreed terms of reference. This will be complemented by training and hands-on support to the LGs' staff on financial management. Also, ASCE will perform annual internal audit mission with the objective to cover each LG involved in the Program at least once every 3 years.
- (e) **Ex-post control.** Law No. 039-2016 / AN, which lays down the general regulations of the Public Order, assigns in Article 12 the function of conducting audits at ARCOP. Decree No. 2017_0050 / PRES / PM / MNFID on the attributions, organization and functioning of the Public Order Regulatory Authority, specifies in its article 2 that ARCOP carries out or sponsors "independent investigations or audits in the field of procurement and public service delegations and to monitor the implementation of the recommendations resulting from these audits ". Contracts under the PforR will be subject to ex-post control. Nevertheless, the last audit commissioned by ARCOP dates from 2019 didn't include all the 30 CTs in ex-post control by the ARCOP due to budget constraints

Complaints management

39. **The existing procurement complaints management mechanism is deemed acceptable.** The procurement framework provides a complaint mechanism relating to public procurement procedures. According to the Procurement Code currently in force (Titer IV- chapter 1 and 2), a bidder who wants to raise a complaint may do so during the procurement phase or during the contract performance period. During the procurement process, three levels of complaint are possible: (i) appeal to the contracting authority for reconsideration, (ii) contentious appeal to the ARCOP's Dispute Settlement Commission (CRD), and (iii) seeking legal remedy before the competent courts. Articles 38 to 46 of the Public Procurement Code describe the stages of the different levels of redress, the prescribed timeline for each actor is fixed in article 26. The Code provides for two levels of complaints that can be used during the contract performance, namely: amicable settlement before the CRD and contentious appeal before the

competent court, tribunal, or arbitration court. In 2018 and 2019, 26 cases were settled amicably, five involving LGs, and there were 28 court/tribunal decisions, three involving LGs (Audits 2018 and 2019). The average processing time for appeals was generally met for these two fiscal years in accordance with the provisions of Article 26 of Decree 2017-000, which provides that the CRD renders its decision within three working days of referral.

40. **ARCOP publishes all dispute settlement decisions taken by the CRD on its website.** It also publishes statistics on applications for redress every year. (<https://www.arcop.bf/>).

41. **Record keeping and document management systems are adequate, but shortcomings exist at LG level.** SP MABG uses a manual archiving system, with archive boxes that are filed in metal cabinets, and an electronic filing system. PACT – PIU archiving systems were deemed adequate. The archiving and filing system have been identified as an area for improvement at LG level, which will be addressed by the deployment of an electronic filing system when possible. Archiving procedures will be included in the Pgr. OM.

Program governance and anticorruption arrangements

42. **Public perception of corruption in Burkina Faso has deteriorated.** According to the REN-LAC 2020 Annual Report on Corruption in Burkina Faso, the public perceive the level of corruption to be increasing: 81.95 percent of the population in 2020 believed that corruption was very high, against 75.7 percent in 2019 and 67.2 percent in 2018. It found that procurement was seen as the second highest area of corruption in the public sector, behind the municipal police in Burkina Faso.

43. **The country governance and anticorruption arrangements rely mainly on the office of Ombudsman (*Le Mediateur du Faso*), ASCE-LC, and the SAI.** Those entities were found relevant for the Program to mitigate the risk of fraud and corruption.

(a) **The Office of the Ombudsman**, whose mandate is to handle complaints from citizens, is deployed in the 13 regions of the country. The 2018, 2019, and 2020 Annual Reports of the Ombudsman were transmitted to the Executive in May 2021 (along with recommendations to be addressed by the concerned administrations). The number of complaints was respectively 815, 787 and 740 with a responsiveness rate of those questioned of 69 percent, 62 percent, and 55 percent respectively for the 3 years. The investigation of the complaints enabled the Ombudsman to send recommendations to the questioned administrations which were implemented at 88.4 percent, 89 percent and 98 percent respectively in 2018, 2019 and 2020. Also, The Ombudsman submitted a draft 2023-2027 strategic plan on December 28, 2022, with the main objective to improve visibility of the institution by government entities and the population.

(b) **The ASCE-LC** mandate is to ensure coordination and technical supervision of the administrative bodies for internal control and the fight against corruption and similar offenses. It is addressing cross-cutting issues that have been hindering the effectiveness of the State internal audit system by investigating corruption cases and identifying individual responsibilities when funds are misappropriated. ASCE has set up a toll-free number to receive corruption allegations and trigger investigation. In 2021, ASCE-LC followed up 156 reports (out of 188 planned). A total of 1,832 recommendations have been implemented out of 2,383 recommendations made. ASCE was mandated in 2022 to audit public entities (including ministries). However, there has been a delay in submission of the 2020 and 2021 annual audit reports.

(c) **The SAI** investigates budget managers and public accountants and can sanction them. The 2017 PEFA attributed a D score to the performance of the external audit process and the review of the annual report by Parliament. This is due principally to the delay in submission of the annual financial report to the SAI. However, improvements have been made. The 2016, 2017, 2018, 2019, 2020. As of December 31, 2021, recommendations from 2002 to 2013 had been followed-up by the SAI and teams were formed to address recommendations from 2014 to 2021.

44. **Fraud and corruption risks associated with the proposed PforR are assessed as Moderate.** To address the governance and fraud and corruption residual risks, the Program will prioritize increased accountability to citizens and greater disclosure and transparency.

45. **The implementing agencies will promptly inform the World Bank of all allegations of fraud and/or corruption regarding the Program as part of overall Program reporting requirements.** ASCE-LC will assume the responsibility of the FAC in this program. ASCE-LC will collect, with support from the implementing entities and other institutions (IGF, SAI, and the Office of the Ombudsman) and report to the World Bank allegations occurring under the Program through the semi-annual report during Program implementation. ASCE-LC will prepare a report on fraud and corruption in the prescribed format twice a year¹⁴, informing the World Bank of any allegation of fraud and corruption regarding the Program. The reporting format will include the following: (a) location and date of the complaint; (b) allegation's description; (c) description of progress in the investigation; and (d) investigation outcome). The World Bank will inform the recipient about any allegation that it receives.

Auditing arrangements

46. **External audit and oversight at the national level are affected by poor performance in the preparation of the financial statements.** Deploying the N@folo application with strong involvement of the end users would make it possible to improve the quality of financial information and reduce the time needed to produce financial reports. This would, in turn, facilitate external audits and parliamentary oversight. Insufficient monitoring of the implementation of the SAI's recommendations is another issue. Extending the simplified ASCE-LC's monitoring arrangements to the SAI would be an easily implementable step to strengthen the impact of external audit reports.

47. **External audit arrangements of each implementing entity are presented below:**

- (a) **PACT - PIU.** External audit reports for 2018, 2019, 2020, and 2021 for the PACT Project (P120517) were submitted on time; the external auditor expressed a clean opinion on financial statements.
- (b) **SP MABG.** The SP MABG is audited by the SAI. The SAI issued a clean opinion on the financial statements of 2018, 2019, and 2020 of the Public Sector Modernization Project (P132216 PMAP). The audit reports were received on time, i.e., not more than 9 months after the end of the calendar year.
- (c) **ADCT.** Per its article of agreement, ADCT is subject to annual financial audit performed by an external auditor appointed by the Board of Directors. The external auditor issued a clean opinion on the 2018, 2019, and 2020 financial statements.

¹⁴ A draft Anti-corruption protocol will be included in the Operations Manual for monitoring and reporting of fraud and corruptions related issues

(d) **LGs.** Their financial statements are audited by the SAI. However, because of capacity constraints, the SAI cannot audit all LGs. Funds transferred to 30 LGs by the PACT were audited in 2018, 2019, and 2020 by private external auditors. A clean opinion was issued each year.

48. **Program annual financial statements will be audited by the SAI.** The annual audit report of the Program will be submitted to the Bank not later than 9 months following the end of fiscal year. The annual audit plan will ensure that each target local government is audited at least once every two years. The Program will support the operationalization of the SAI's Chamber in charge of LGs' supervision.

Treasury management and funds flow

49. **In-year regulation of the budget allocation, that can reduce the amount that ministries are authorized to spend below the legally adopted budget (cash rationing), has been identified as a key fiduciary risk.** To mitigate this risk, Program funds will be disbursed in dedicated treasury accounts. Disbursement upon achievement of DLIs # 5 will flow to the existing dedicated treasury special account¹⁵ of the Public Sector Modernization for MFPTPS (CAST# 129). Another dedicated treasury special account in FCFA has been opened for the MATDS at the Central Bank (CAST MATDS) for disbursements upon achieving other DLIs.

50. **The dedicated treasury special account is part of the treasury single account under implementation and will be used to avoid cash rationing and streamline the Program's payment process.** The CAST will enable resources to be directly linked to spending, as opposed to the general budget where resources cannot be allocated to specific expenditure. The creation of CASTs is provided for in the Public Finance Organic Law. The Transition National Assembly is responsible for approving the establishment of CASTs and their expenditure ceilings. The MEFP is familiar with CAST arrangements, which are used for sectoral budget support by other development partners. CASTs have also been used for the PMAP and are currently used by the Burkina Faso Water PforR Program (P164345) financed by the World Bank.

51. **Lessons learned from the PMAP's ICR confirm that the use of a CAST is a strong fiduciary risk mitigation measure for PforRs in a FCV environment.** The CAST was instrumental in securing PSMP resources and protecting them from potential re-allocation (a risk for PforR funds that are fungible in the State budget and could potentially be diverted to national emergencies). CAST gives both the Client and the World Bank the assurance that the resources would be available for their intended purpose. It will also help secure the financing of the TA activities under the Program.

52. **DLIs verification and acceptance.** The government will claim disbursements from the Bank as the DLIs are achieved. All DLIs will be independently verified by ASCE – LC, which will prepare a Verification Report which will be shared with the Program and the World Bank. A key use of the Verification Report will be to determine the amount of the eligible disbursement to be made based on the results achieved. If the World Bank finds that the disbursement request meets the terms of the Financing Agreement, the World Bank will disburse the corresponding funds to the corresponding CAST.

53. **Disbursement to the Public Sector Modernization CAST account (CAST 129).** Upon verification and acceptance of DLIs achieved (DLI # 2 and 5), funds will flow from the World Bank to CAST 129,

¹⁵ CAST 129 – Public Sector Modernization (Compte d'Affectation Spéciale du Trésor 129 "Support à la modernisation de l'Administration Publique")

managed by SP MABG. CAST 129 funds will be used to pay for the MFPTPS activities and SP MABG operational and technical assistance expenses.

54. **Disbursement to the dedicated treasury account created for MATD (CAST MATD):** Disbursements will follow three stages:

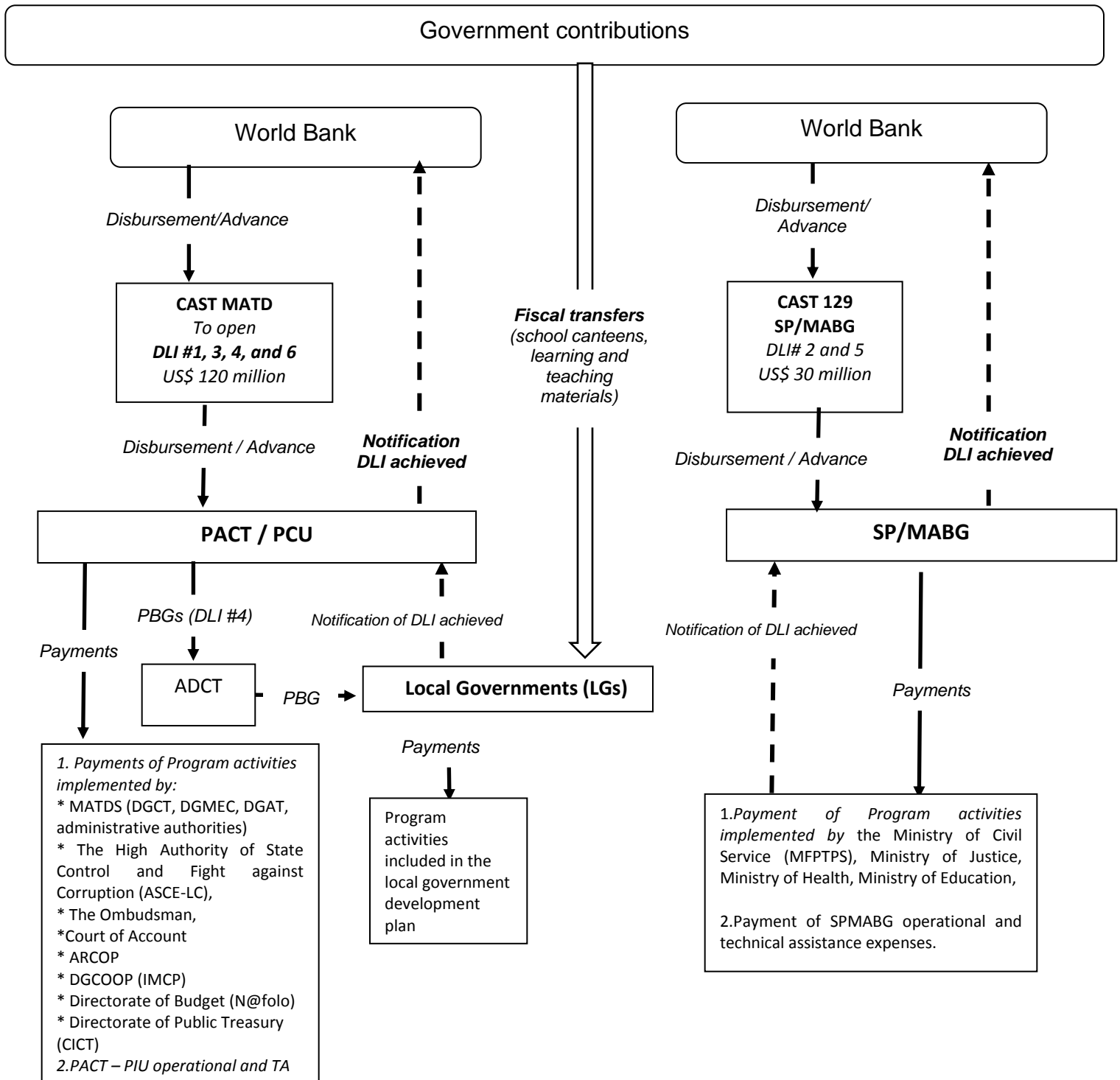
- i. **First**, upon verification and acceptance of DLIs achieved (DLI #1, , 3, 4, and 6), funds will flow from the World Bank to the CAST MATD managed by PACT – PIU,
- ii. **Second**, PACT – PIU will (i) transfer Performance-Based Grants (PBGs – DLI #4) to ADCT, (ii) pay Program activities implemented by ADCT (technical assistance), MATD, CONASUR, DGB, DGTCP, DGCOOP, Ministry of Reconciliation, other implementing entities, (iii) pay Program activities implemented by the Ministry of Health, the Ministry of Education, the Ministry of Justice, the High Authority of State Control and Fight against Corruption (ASCE-LC), the Court of Account, the Ombudsman, ARCOP, and DGCMEF, and (iv) support the PIU operational and technical assistance expenses.
- iii. **Third**, LGs will use the PBGs to finance eligible program activities included in their local development plan.

55. **Advance.** Upon Program effectiveness, an initial advance representing 15 percent of the total financing will be transferred to each CAST account. The advance will be either adjusted at the next disbursement or rolled over till the end of the Program for final adjustment.

56. **Reconciliation of program expenditures:** The disbursements under the DLIs will be compared with the Government program expenditure in the last year of the Program and a refund would be sought if DLIs paid are more than the Government program expenditure. To avoid last minute adjustment at project closure, an interim reconciliation of program expenditure will be conducted each year. The Bank and the implementing entities will agree on the format of the interim reconciliation of program expenditure at appraisal.

57. **Government's contribution to the Program.** The Government, through its budget execution procedures, will transfer its annual contribution to the CAST twice a year, based on the approved annual plan and budget as well as the payment estimates for the next 6 months. Payment of other Government program expenses will be executed directly by the Government through the national procedures.

58. Figure A.4.1 below illustrates the funds flow for the PEF and each CAST account:



59. **Staff capacity.** PACT – PIU, SP MABG, and ADCT staff capacity are deemed acceptable. However, staff of PACT - PIU and ADCT are not familiar with PforR procedures. Insufficient fiduciary staff is one of the main weaknesses in LGs. Capacity building in PforR procedures for fiduciary staff will be provided as part of the Program’s implementation. The Program will also support adequate fiduciary staffing for LGs (PBG) and DTS (DLI #5).

The assessment of staff capacities at the level of each entity of the Program is as follows:

- a) **PACT-PIU:** The fiduciary staff comprises one seasoned financial management specialist, one procurement specialist, and one accountant. Their qualifications and experience are deemed acceptable to the World Bank. This team was in place during the lifetime of the PACT.
- b) **SPMABG:** The fiduciary staff comprises nine officers, including three staff for procurement of public contracts and two staff for financial management (one for accounting and one for inventory). This staff implemented the PMAP and have received training on donors’ procurement procedures including World Bank procedures. Their qualifications and experiences are deemed acceptable.
- c) **ADCT:** The fiduciary staff comprises six officers in financial management and three in procurement. Qualifications and experience are deemed acceptable, with an average of more than 6 years in their domain of expertise.
- d) **LGs:** The fiduciary staff varies from one LG to another. Most of the LGs have a procurement officer (for those do not have one the General Secretary plays this role) and a public accountant. They all have more than 10 years of experience, but their qualifications are weak in terms of fiduciary rules and procedures. The low staff capacities are involved in delays in budget execution.

60. **Contribution to the PAP.** Table A.4.4 details the PAP’s fiduciary actions.

Table A.4.4.PAP Fiduciary Actions

Entity	Risk/Weaknesses	Mitigation Action	Responsible	Type of Action (PAP, TA, DLI)
Budget planning	Involvement of several entities in Program implementation which could make budget planning and monitoring process more complex.	<ul style="list-style-type: none"> • Adoption of the Program Expenditure Framework (with finance law budget lines). <i>(done)</i> • Preparation of annual budget by each implementing entity, consistent with the Program Expenditure Framework. • Adoption of the local fiscal transfer law. 	PACT – PIU SPMABG ADCT LG	PAP
Budget planning	Local government weaknesses in expenses programming.	<ul style="list-style-type: none"> • Capacity building to improve financial management and procurement of local governments. 	PACT -PIU	TA
Procurement planning	Absence of procurement plan. Non-approval of the procurement plan. Non-publication of procurement plans.	<ul style="list-style-type: none"> • Publication of approved procurement plans. 	PACT -PIU LG	PBG
Budget execution	Insufficient staffing in local government hinders budget execution.	<ul style="list-style-type: none"> • Redeploy civil servants to LPEs (DLI #5). • Adequate staffing in LGs (PBC). 	SP MABG	PBC DLI #5

Entity	Risk/Weaknesses	Mitigation Action	Responsible	Type of Action (PAP, TA, DLI)
		<ul style="list-style-type: none"> Appointment of additional fiduciary staff on an as-needed basis. Share of target LGs with improved contracts execution rate 		TA DLI#6
Budget execution	Poor knowledge of the PforR instrument can affect budget execution rates.	<ul style="list-style-type: none"> Training workshops on the fiduciary requirements of PforR for all stakeholders and implementing entities. 	World Bank	TA
Budget execution	Delays in fiscal transfers. Low usage of budget allocations by local governments.	<ul style="list-style-type: none"> Opening of CAST for MATDS 	MATDS Ministry of Finance PACT/PCU	Effectiveness condition, <i>Done</i>
Financial Accounting and Reporting	Financial reports are prepared with significant delays and are sometimes not comprehensive. Differences in the accounting standards used by each implementing entity and weaknesses in the accounting systems at central and local levels could hinder Program financial reporting and/or make consolidated reporting more complex and prone to errors.	<ul style="list-style-type: none"> Adoption of a Pgr. OM including accounting and financial procedures and harmonized templates and standards for the financial reporting. 		Effectiveness condition, Draft to be submitted by negotiations
		<ul style="list-style-type: none"> Deployment of CICT and N@folo. 		TA
Internal Control	All the IFSA risks.	<ul style="list-style-type: none"> Program internal audit will be performed by IGF ADCT will extend internal audit on LGs Appointment of an internal controller at PACT-PIU by MATDS 		PAP
Record keeping and document management systems.	Shortcomings in archiving and filing systems at local governments level.	<ul style="list-style-type: none"> Deployment of an electronic filing system when possible. Archiving procedures included in Pgr. OM. 		TA (WB digital project) PAP (Pgr. OM)
Fraud and corruption	Deteriorated public perception of corruption. Weak disclosure and transparency.	<ul style="list-style-type: none"> Disclosure of all allegations of fraud and corruption twice per year by ASCE-LC 		TA Pgr. OM
External audit	Poor performance in the preparation of financial statements. Insufficient monitoring of the implementation of SAI's recommendations. Lack of capacity of the SAI which cannot cover all LGs.	<ul style="list-style-type: none"> Deployment of N@folo application. Program annual financial statements will be audited by the SAI. The annual audit report will be submitted to the Bank not later than 9 months following the end of fiscal year. Annual audit plan will include a sample of target LGs. 		TA TA Reporting requirements
Treasury and funds flow	In-year regulation of the budget allocation, that can reduce the amounts that ministries are authorized to spend below the	<ul style="list-style-type: none"> Program funds will flow to the existing CAST for the Public Sector Modernization for MFPTPS (CAST 129). 		

Entity	Risk/Weaknesses	Mitigation Action	Responsible	Type of Action (PAP, TA, DLI)
	legally adopted budget (cash rationing).	<ul style="list-style-type: none"> • Another CAST will be opened for the MATD at the Central Bank (CAST MATD). 		Effectiveness condition, <i>Done</i>

61. **Implementation support.** Fiduciary support would include:

- Monitoring of the Program Expenditure Framework and budget.
- Close monitoring of the deployment of the integrated financial management and procurement system.
- Support to the borrower in resolving implementation issues and carrying out institutional capacity building.
- Monitoring the performance of fiduciary systems and audit reports, including the implementation of the PAP; and
- Monitoring changes in fiduciary risks to the Program and, as relevant, compliance with the fiduciary provisions of legal covenants.