



## Public Financial Mgmt Enhancement Project (P152932)

AFRICA | Zimbabwe | Governance Global Practice |  
 Recipient Executed Activities | Investment Project Financing | FY 2016 | Seq No: 2 | ARCHIVED on 27-Dec-2016 | ISR26254 |

Implementing Agencies: Ministry of Finance and Econ Devt

## Key Dates

## Key Project Dates

Bank Approval Date:24-Mar-2016

Effectiveness Date:24-Jun-2016

Planned Mid Term Review Date:30-Jun-2017

Actual Mid-Term Review Date:--

Original Closing Date:30-Jun-2019

Revised Closing Date:30-Jun-2019

## Project Development Objectives

Project Development Objective (from Project Appraisal Document)

The Project development objective (PDO) is to improve control, transparency and accountability, and oversight in the use of public resource in Zimbabwe. The Project will contribute to enhancing fiscal discipline, strategic allocation of resources, and service delivery efficiency, through strengthened systems, procedures and targeted capacity-building.

Has the Project Development Objective been changed since Board Approval of the Project Objective?

No

## Components

Name

Financial Management and Accounting (including IFMIS):(Cost \$6.80 M)

Enhance Effectiveness of Internal Controls and Internal Audit:(Cost \$3.20 M)

Enhance Accountability through Strengthening of External Audit:(Cost \$5.00 M)

Strengthening the Demand Side of Transparency and Accountability:(Cost \$3.00 M)

PFMEP Management:(Cost \$2.00 M)

Project Implementation Support by the World Bank:(Cost \$0.80 M)

## Overall Ratings

Name	Previous Rating	Current Rating
Progress towards achievement of PDO	● Satisfactory	● Moderately Satisfactory



Overall Implementation Progress (IP)	● Satisfactory	● Moderately Satisfactory
Overall Risk Rating	● Substantial	● Substantial

## Implementation Status and Key Decisions

The World Bank task team fielded an implementation support mission from November 7 to 11, 2016. Progress towards achievement of PDO and overall project implementation are rated moderately satisfactory. The reduction in the rating is due to the slow pace at which the project is being implemented. The project became effective on June 24, 2016 and as at November 11, 2016 (the end date for the current implementation support mission), the total disbursement was less than 2% of the \$10million. Leaving 98% to be disbursed before the end of the first phase of the project which is December 31, 2017.

**Component one: Financial Management and Accounting (including IFMIS)** has been downgraded from satisfactory to moderately satisfactory. This is because most of the activities agreed during the August mission remained outstanding. The key outstanding activities include:

- 1 Rollout of the Grant Management (GM) module:** The existing PFMS GM module will be rolled out to all Ministries (related units of 30 ministries) to improve financial management and reporting. The roll out is expected to start in November 2016 and it is expected that the GM will be used by all the Ministries from January 2017. However, the preparatory work for the roll out has not been completed and the roll out of the system, originally planned for January, will be delayed.
- 2 New IFMIS modules:** The project is purchasing SAP Budget Preparation and Consolidation (BPC) and Data Warehouse (DW) / Business Intelligence (BI) modules to expand system capabilities for the Ministries, Departments and Agencies (MDAs). The team was informed that several other modules of existing SAP package have been activated for pilot testing in selected ministries: Customer Relationship Management (CRM) and Supplier Relationship Management (SRM). The project is yet to organize live software demonstration sessions to assess the readiness of proposed SAP modules and clarify potential customization needs, with the participation of related units/stakeholders. The task team noted that there is no longer the need to include Utility Bill Management and Property Tax modules for supporting the needs of local authorities (28 Urban Councils and 63 RDCs), because these modules have already been procured through a credit arrangement and the vendor is piloting implementation at Makonde.
- 3 Rollout of IFMIS to the districts:** The team discussed the scope of IFMIS/PFMS rollout to districts, and clarified that there will be two parallel tracks: (i) Local Authorities (28 Urban Councils and 68 Rural District Councils) will be connected to government network mainly for e-Gov applications and to use new IFMIS modules; and (ii) IFMIS Kiosks will be opened as data entry and service centers for the MDA branches in 68 districts. These activities have not been defined in detail in the PAD, and there is a need to adjust budget and activities to ensure a successful rollout. The team also noted that the Global Fund (UNDP) is assisting in connectivity of districts (hospitals), and 43 out of 63 district hospitals have been connected so far. The Central Computing System and the PFMS teams will need to complete a scoping study to identify the needs for IFMIS rollout to districts, data center modernization needs in Nov/Dec 2016. This will inform the development of new International Competitive Bidding packages.
- 4 Payroll interface:** The PFMS team informed that the Public Service Commission (PSC) is currently using SAP Human Capital Management (HCM) module as their HRMIS system (located in their server room). There is a separate Payroll system (locally developed) linked to the HCM for calculation and payment of salaries. MDAs are using these systems for HRMIS updates and salary calculations, and sending their salary payment requests to IFMIS manually, every month. The PFMS team proposed the development of an interface between IFMIS and the existing payroll system to exchange data on monthly salary payments, and register these in the IFMIS General Ledger (GL). It is not clear whether the Government still wants to migrate to new SAP Payroll module and abandon the legacy system, as originally planned. If this does not happen, the control over the salary management system will remain weak and uncontrolled. In the meantime, the PMF team will plan development of interface between the payroll and the IFMIS to allow for automatic data transfer.

**Component two (Enhance Effectiveness of Internal Controls and Internal Audit)** has also be downgraded because the major actions required to drive this component are still outstanding. Key among the outstanding activities are:

- 1 Enhanced independence and professionalism through upgrading the Internal Audit function under a central agency or unit (Central Internal Audit Unit):** The project activity to support creation of the Central Internal Audit Unit (CIAU), as the controlling national agency for internal audit function in the Government, has not made any progress. Section 80 of the PFM Act identifies the role of internal auditor as one who will assist Treasury in carrying out its duties. However, internal audit across the government still continues to operate in silos in the ministries. There is no central agency (CIAU or Chief Audit Executive) reporting to senior level functionaries in MOFED. Internal audit units report to Permanent Secretaries of the concerned ministries and have minimal linkages with MOFED. This activity was included in the project due to the Government's vision to: (i) ensure independence and professionalism in internal auditing; (ii) establish a Central Unit or Agency with the mandate to oversee internal auditing in the public sector, provide guidance, quality assurance, and follow-ups on audit findings; and (iii) establish the reporting relationship between the Internal Audit, the Controlling Officers and the Central Unit.
- 2 Audit Committees:** A holistic roadmap for establishment and activation of Audit Committees across all Ministries may be expedited and the



activities under the project may be aligned to the roadmap. There is no progress so far on creation and activation of Audit Committees prescribed by Section 84 of the PFM Act. Only Ministry of Health, with external funding has a functioning Audit Committee and the task team was informed that the Audit Committee in the Ministry of Finance is being constituted. It is recommended that of constitution of Audit Committees for Ministries based on sustainable principles be completed without further delay.

**Component three (Enhance Accountability through Strengthening of External Audit):** is rated satisfactory, as implementation of their activities is on good track. Key among the activities implemented are: (i) the audit of sixteen foreign missions; the ongoing audit of 26 local authorities; and (iii) the collaboration with the private sector audit firms to help bring outstanding audits of government institutions up to date.

**Component four (Strengthening the Demand Side of Transparency and Accountability):** is also downgraded to moderately satisfactory, because most of the activities planned are outstanding. These include:

- 1 **Toolkit for analyzing audit reports:** The current toolkit developed in 2014 for analyzing audit reports remains relevant, but needs to be modified for the analysis of audit reports on state enterprises and local authorities - this is outstanding, including the consultancy to do the modification.
- 2 **Capacity building for the PAC and BFC members and their secretariat:** The capacity of the members of the PAC, BFC and their secretariat in public financial management, with specific reference to their role in considering audit reports on public accounts, has been planned under the project, but remains outstanding.
- 3 **Budget office of Parliament:** The task team was informed that the budget office was set up with funding from the AFDB. This project is to fund the capacity building of the budget office and the cost of benchmark visits, which are all outstanding.

**Component five (PFMEP Management):** has been downgraded to moderately unsatisfactory. The project management unit lacks the capacity to implement the project. They are unable to coordinate the other components or follow up on activities and when the components send request to the project management unit, there are serious delays - in some cases, the request are simply forwarded to the World Bank without reviewing for accuracy and eligibility. The task team has recommended that at least three key staff (Project Manager, Procurement Specialist and Financial Specialist) be engaged without delay to takeover the management of the project from the Project Management Unit.

## Risks

### Systematic Operations Risk-rating Tool

Risk Category	Rating at Approval	Previous Rating	Current Rating
Political and Governance	● High	● High	● High
Macroeconomic	● Substantial	● Substantial	● Substantial
Sector Strategies and Policies	● Moderate	● Moderate	● Moderate
Technical Design of Project or Program	● Moderate	● Moderate	● Moderate
Institutional Capacity for Implementation and Sustainability	● Substantial	● Substantial	● Substantial
Fiduciary	● Substantial	● Substantial	● Substantial
Environment and Social	● Low	● Low	● Low
Stakeholders	● Moderate	● Moderate	● Moderate
Other	--	--	--
Overall	● Substantial	● Substantial	● Substantial



## Results

### Project Development Objective Indicators

#### ► Quality and timeliness of annual financial statements (Months, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	10.00	--	--	6.00
Date	30-Oct-2014	--	--	30-Jun-2017

#### ► Proportion of Budgetary expenditures reported in Annual Consolidated Financial Statements (including Statutory Funds and Donor Funds ) (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	60.00	--	--	95.00
Date	31-Dec-2014	--	--	31-Dec-2019

#### ► Enhanced Budget credibility by reducing supplementary appropriations (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	10.00	--	--	5.00
Date	31-Dec-2014	--	--	31-Dec-2019

#### ► Enhance credibility of payroll (Years, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	--	--	1.00
Date	31-Dec-2014	--	--	31-Dec-2019

### Overall Comments



## Intermediate Results Indicators

## ▶ Prepare and gazette monthly and quarterly accounts (Months, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	4.00	--	--	1.00
Date	31-Dec-2014	--	--	31-Dec-2019

## Overall Comments

## Data on Financial Performance

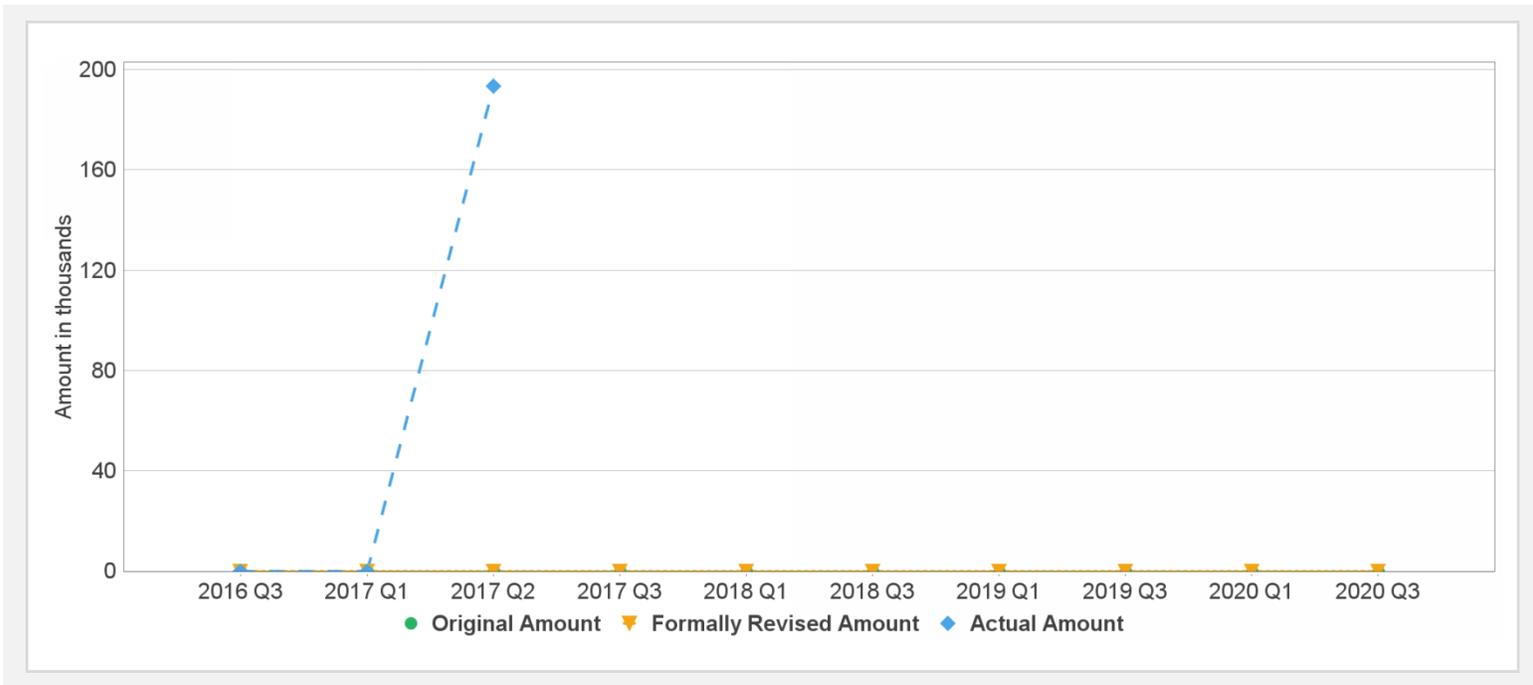
## Disbursements (by loan)

Project	Loan/Credit/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	Disbursed
P152932	TF-A1783	Effective	USD	10.00	10.00	0.00	0.19	9.81	 2%

## Key Dates (by loan)

Project	Loan/Credit/TF	Status	Approval Date	Signing Date	Effectiveness Date	Orig. Closing Date	Rev. Closing Date
P152932	TF-A1783	Effective	24-Mar-2016	04-May-2016	24-Jun-2016	30-Jun-2019	30-Jun-2019

## Cumulative Disbursements



### Restructuring History

There has been no restructuring to date.

### Related Project(s)

There are no related projects.