Report Number: ICRR0022916

1. Project Data

Project ID	Project Name
P152932	ZW-Public Financial Mgt Enhancement Proj
Country	**Practice Area(Lead)**
Zimbabwe	Governance

L/C/TF Number(s)	Closing Date (Original)	Total Project Cost (USD)
TF-A1783	30-Jun-2019	9,920,043.35
Bank Approval Date	**Closing Date (Actual)**	
24-Mar-2016	31-May-2021	

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	10,000,000.00	10,000,000.00
Revised Commitment	9,920,043.35	9,920,043.35
Actual	9,920,043.35	9,920,043.35

Prepared by	Reviewed by	ICR Review Coordinator	Group
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2. Project Objectives and Components

a. Objectives

The project development objective (PDO) is to improve control, transparency and accountability, and oversight in the use of public resources in the Recipient's territory.

The project is expected to improve fiscal discipline and controls, timeliness and comprehensiveness of financial reports, enhance the effectiveness of internal audits, and ensure that public officials are held accountable for the successful implementation of Government policies.

For purposes of this ICRR, the three objectives of the operation are:

- to improve control in the use of public resources,
- to improve transparency and accountability in the use of public resources, and
- to improve oversight in the use of public resources.

b. Were the project objectives/key associated outcome targets revised during implementation?

Yes

Did the Board approve the revised objectives/key associated outcome targets?

No

c. Will a split evaluation be undertaken?

No

d. Components

Financial Management and Accounting, including Integrated Financial Management and Information System (US$ 6.8m at appraisal, US$ 5.2m at closure): The objectives of this component are to improve financial reporting, strengthen fiscal controls, and enhance financial transparency.

Financial Reporting, Internal Controls, and Internal Audit (US$ 3.2m at appraisal, US$ 1.34m at closure): The objective of this component is to strengthen internal oversight and controls by enhancing the effectiveness of internal audit to ensure compliance with rules and regulations and contribute to effective service delivery outcomes.

Enhanced Accountability through Strengthening External Audit (US$ 5m at appraisal, US$ 1.6m at closure): This component aims to strengthen the OAG to deliver high-quality audit products on its enhanced mandate.

Strengthening the Demand Side of Transparency and Accountability (US$ 3m at appraisal, US$ 0.86m at closure): This component aims to strengthen transparency and accountability by enhancing the Parliament's role in PFM.

PFMEP Management. Amount committed US$ 2m, disbursed US$ 1m.

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

The Bank appraised the project at US$20m, but the Grant agreement was for US$10m. The additional US$10m envisaged in the PAD did not materialize; hence the Bank restructured the activities to fit into the envelope of US$10m.

The Zimbabwe Reconstruction Fund, a multi-donor trust fund, funded the grant.

There was no contribution from the Borrower.

The Bank approved the project on 24 Mar 2016. The Bank extended the original closing date of 30 Jun 2019 three times, and the actual completion date was 31 May 2021. The Bank reduced the project's scope during the 2018 restructuring. The outcome indicator/target for the first objective, for example, went from actual compliance with the budget (original outcome indicator) to timeliness of budget reporting. This review does not do a split evaluation because in cases where the indicator/targets were changed, neither the original nor the changed outcome was achieved.

3. Relevance of Objectives

Rationale

Because of the non-payment of arrears since 2000, the Bank suspended direct lending to Zimbabwe and did not approve a CPF. The primary strategy document was and remained the Interim Strategy Note (ISN) for FY13-FY15 – *Supporting Economic Recovery for Inclusive Growth for Zimbabwe*, which continues to be the guiding strategy document for the World Bank's engagement in Zimbabwe. The project objectives are highly relevant to the Bank strategy and the current government strategy as expressed in the National Development Strategy for 2021–2025 - *Towards a Prosperous & Empowered Upper Middle-Income Society by 2030*. In particular, both strategies stress the objective of transparency and accountability in managing public resources. A focus of the World Bank's interim strategy was the need to finance measures to improve transparency in the use of public resources through the Zimbabwe Mineral Revenue Transparency initiative (ISN p. 23). The government strategy stressed the need to strengthen institutions of accountability (Auditor General, Zimbabwe Anti-Corruption Commission, National Prosecuting Authority, and Judicial Service Commission) as well as the oversight role of Parliament and the Auditor General's Office (National Development Strategy p. 217).

Rating

High

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

Objective 1: to improve control in the use of public resources
The indicator used for measuring the achievement of this objective was the number of months after the end of the financial year needed to prepare and report annual Consolidated Revenue Fund financial statements based on Public Financial Management System (PFMS) data and reporting tools. The baseline was nine months, the target was six, and the actual was twelve. There was good progress initially: eight months after the end of 2017 and three months after the end of 2018 (exceeding the target). Still, COVID movement restrictions led to subsequent delays in completion dates. At appraisal, the indicators adopted were good,

pragmatic, and helpful but not ideal. The indicator focused on the speed of adoption rather than on the adoption of high-quality, consolidated statements. Speed is one indicator of quality, but not the only one. The activities supported by the Bank would lead to achievements measured by the indicators since adopting the new system would reduce the time to prepare the reports. So attribution is closely linked to the Bank support.

Rationale

The authorities partially completed the business planning & consolidation module, consolidating all budget data. However, the government couldn't use the module to prepare the 2022 budget because the project could not complete the training due to COVID-19 restrictions. The business intelligence tool is operational, and several ministries (Ministry of Health and Child Care, Ministry of Finance and Economic Development (MoFED), Ministry of Youth, and Ministry of Industry and Commerce) are using the reports on donor-funded projects. The project trained eight ministries, departments, and agencies (MDAs) on using the WebPortal, and MoFED issued a guiding circular. However, the MDAs have not yet disclosed information on the WebPortal. The project conducted the PFMS information technology audit, and the final report was submitted to the MoFED for review in February 2021. The project extended PFMS Coverage to 13 statutory funds, 22 donor grants, and 32 retention funds. PFMS coverage was also initiated for donor projects. . PFMS was successfully rolled out to districts via 63 kiosks (above the target of 30) and has strengthened district reporting. The achievements have contributed to implementing some systems, procedures, and capacity to improve control in the use of public resources. According to the ICR, the PDO indicator target was exceeded for 2018 (reaching three months versus a target of 6 months) but slipped by the time of project closure and even before COVID started (9 months in 2019 and 12 in 2020). Although the project did not fully achieve the objective by the closing date, updated information provided by the country team shows that the FY 21 financial statements were delivered within 3 months of the year-end, 31 Mar 2022, exceeding the 6 month target.

Rating

High

OBJECTIVE 2

Objective

Objective 2: Improved transparency and accountability in the use of public resources
The indicator used for this objective was the 'Coverage of internal audit as a percentage of the completed annual internal audit work plan for the six largest spending ministries (that use at least 50% of the budget)'. The baseline was 70%, the target 80%, and the actual was 25%. The indicator was appropriate and aligned with the Public Expenditure and Financial Accountability indicators.

Rationale

On internal audit, 22 out of 28 ministries appointed audit committees, 28 MDAs established internal audit units, 25 internal auditors received support for accreditation under the Certified Internal Audit examination, and 55 for the Certified Government Auditing Professional certification. The project prepared an institutional strategic plan for implementing International Public Sector Accounting Standards) and identified champions. The project prepared the government's Accounting Policies and Procedures Manual and completed the Public Financial Management (PFM) Business Process Reengineering Review. It also provided capacity building in value-for-money audits, forensic auditing, jobs evaluation, SAP, CAAT, plus study tours in South Africa, Rwanda, Ghana, and Tanzania, and internal auditors attended annual

conferences at the Institute of Internal Auditors, African Federation of Institutes of Internal Auditors and East and Southern African Association of Accountants-General. 25 internal auditors received support for accreditation under the Certified Internal Audit examination and 55 for the Certified Government Auditing Professional certification The project developed and implemented a new chart of accounts. Authorities established the Central Internal Audit Unit with two directorates – Audit Assurance & Advisory Services and Governance Risk & Compliance. The Central Internal Audit Unit also developed a strategy for 2021–2025 and Audit Charters and Guidelines for the government's internal audit units and audit committees. According to the ICR, annual reporting deadlines were met, and reports were published on the AG's website.

Additionally, the project prepared an institutional strategy plan, developed an Accounting Procedures Manual, an Accounting Policies Manual, and a Business Process Reengineering Report. A Central Internal Audit Unit was established, which developed a strategy for the period 2021–2025. The project purchased computer-assisted audit technique tools and activated the SAP Audit Module.

On external audit, according to the ICR, the Office of the Auditor General (OAG) had evolved into an influential Supreme Audit Institution, auditing 33 foreign missions and collaborating with private sector audit firms by outsourcing audits of state enterprises and parastatals, local bodies, and ministries. The project developed checklists for private sector audit firms, provided public sector audit firms training, developed risk management processes, and procured computer-assisted audit techniques tools for data extraction/analysis. The project also facilitated study tours to exchange knowledge and experiences, conducted advanced Systems Applications and Products (SAP) training for system audits, and established a job evaluation and career development plan for the OAG. Authorities drew from the job evaluation to implement recommendations on salary adjustments and, in part, recommendations on career paths.

According to the ICR, all these activities improved PFM internal controls and the OAG's oversight by strengthening the capacity of government auditors to use information systems and undertaking emergency audits. Still, most of the activities were inputs, and a significant amount of them did not meet the final targets. In 2020 the outcome indicator fell to 25 percent, significantly lower than the baseline (70 percent) and much lower than the target (80 percent). The ICR attributes COVID-19 restrictions as the cause of the decline, given that in 2019 the target was basically met (79%). Updated information received after COVID restrictions were lifted shows that the level of internal audits has been rising back towards the pre-COVID levels. Hence, in line with OPCS guidance regarding the impact of COVID for a project that was on track to achieve its targets before COVID-19 and is likely to return to normal after COVID-19, the rating is Substantial.

Rating
Substantial

OBJECTIVE 3
Objective
Objective 3: Improved oversight in the use of public resources
Two indicators were used for this objective. One was 'share of Public Accounts Committee recommendations implemented by the MoFED,' and the second was 'number of months of completion and submission of the previous FY's annual audit reports to the Parliament.' The baseline for the first indicator was 80%, the target was 90%, and the actual was 100%. The baseline for the second was 10, the target was 6, and the actual

was 11. The indicators were appropriate and aligned with the Public Expenditure and Financial Accountability indicators. They were appropriate to establish the contribution of the project.
Outputs:
Strengthening PAC: PAC tabled several reports in Parliament, including:
- Report of the PAC on the Findings by the Auditor General on the 2014 Appropriation and Funds Accounts for the Ministry of Justice, Legal and Parliamentary Affairs
- First Report of the PAC on the Examination of the Appropriation and Fund Accounts for the Ministry of Higher and Tertiary Education, Science and Technology Development. This report contained twelve (12) recommendations
- The PAC's Second Value for Money Report on Land Utilization and Management of Estates by ARDA. The PAC made five (5) recommendations
- Report of the PAC on the Benchmarking Visit to the Parliament of Zambia
- Report of the PAC on the Analysis of the 2017 Auditor General's Report on Local Authorities
- First report on compliance issued for the MoFED with three recommendations
- First Report of the PAC on Compliance issues for the Reserve Bank of Zimbabwe with five (5) recommendations
- MoFED submitted seven (7) Treasury Minutes to the PAC

Strengthening PBO:
- Production of Parliament Budget Office Provision of Technical Support Procedure
- Production of Parliament Budget Office Information Dissemination Procedure
- Production of Parliament Budget Office Documents Analysis Procedure
- Production of Parliamentary Budget Office Clients Charter

Enhancing the Parliament's oversight of budget execution
-Training provided to the Parliament officers, including project management staff in Project Management, Finance, Procurement, and M&E; and Committee clerks (in Parliamentary skills, Hansard Procedures, and Infographics).

Rationale

The project conducted pre-budget and post-budget consultation workshops with civil society organizations across the country. A total of 1,785 citizens participated in the budget consultations conducted by Parliament (the target was 1,380), with 55 percent of the recommendations from pre-budget consultations incorporated by the MoFED. According to the ICR, this has improved citizen engagement in the budget process and oversight in the use of public resources. This resulted in Zimbabwe being ranked as the 3rd most budget transparent country in Africa in the International Budget Partnership's Open Budget Survey in 2019. In addition, the Parliamentary Budget Office strengthened its internal capacity by hiring additional analysts with finance/economic and accountancy backgrounds. The project provided technical support for analysis, data visualization, and infographics software, allowing the Parliamentary Budget Office to design its publications. Other achievements included building the capacity of members of Parliament to effectively access, debate, analyze, influence, and disseminate budget and other financial information to key stakeholder groups and citizens; training Parliament staff in monitoring and evaluation; developing the Public Accounts Committee training manual, and conducting training for Members of Parliament. All this has improved, according to the ICR, Parliament's role in PFM as demonstrated by the fact that for the first time, in 2020, Parliament approved the budget before the start of the FY. In terms of outcome achievement, one outcome was achieved (share of Public Accounts Committee recommendations implemented by the MoFED) while the second was not (number of months of completion and submission of the previous FY's annual audit reports to the Parliament). The first objective was achieved, with the target of 90% met in 2017, 2018, 2019, and

2020. In 2021, the target was surpassed at 100 percent. The second objective indicator was not achieved, with a target of 6 months but an actual value of 11 even before the onset of COVID-19.

Rating
Modest

OVERALL EFFICACY
Rationale
Activities achieved their goal, and systems and capacities were improved. Although the onset of COVID generated delays not attributable to the project, up-to-date information shows that the project achieved its objectives.

Overall Efficacy Rating

Substantial

5. Efficiency
The PAD states that the indirect benefits of the project will exceed the costs, even though a detailed account of the benefits was not presented (p.25). The ICR asserts that the project objectives of improving public financial management, service delivery, and better performance of PFM institutions will, over time, show benefits above project costs. According to the ICR, the potential savings, if sustained over time, will be more significant than the project cost.

In addition, there were quantitative examples of benefits from efficient management of this project, such as substantial savings in the PFMS expansion contract from the original proposal of around US$1.6 million to around US$850,000 after negotiations. Also, the Wide Area Network connectivity contract was signed for US$102,000 against a projected budget of US$300,000.

However, the project had several implementation inefficiencies. The Bank designed the project with an insufficient assurance of financing, which led to a reduction in the scope and an unrealistic implementation schedule. These factors inevitably have an impact on its efficiency. The government, at one point, used only 10% of the SAP licenses (para 108) and shut down the SAP portal in August 2018 because of $8 million in arrears (para 108). There was a long debate about establishing a PFMS unit (para 107). The project had difficulty getting the government's attention throughout (para 105). There were procurement delays, suppliers/consultants that didn't work out (paras 104, 116), and delays because of price variations (para 115). Poor initial costing required multiple reallocations of resources (para 128).

Efficiency Rating

Modest

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 ☐ Not Applicable
ICR Estimate		0	0 ☐ Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

The relevance of the objectives is rated high because of the close alignment with the Bank's and government's strategy. Efficacy is rated substantial because the project improved systems and capacity and achieved the objectives. Efficiency is rated modest because of the significant implementation inefficiencies of the project.

a. Outcome Rating

Moderately Satisfactory

7. Risk to Development Outcome

The risk to the DO is considered substantial for two main reasons. First, because the renegotiations of licenses have not taken place yet - the MoFED had signed costly maintenance agreements on nearly 4,000 licenses- notwithstanding repeated requests from the Bank to find a way to reduce the annual cost of these licenses. This can considerably limit the system usage and hence the project's impact. (At one point during the implementation of the project, authorities only used 10 percent of the SAP licenses - ICR p. 38). Second, there is a risk of the loss of trained staff. This problem was not considered in the project design and could severely limit the ability to continue implementing the reforms.

8. Assessment of Bank Performance

a. Quality-at-Entry

Three main analytical products (Rapid PFM Assessment, 2009; Country Integrated Fiduciary Assessment -CIFA, 2012; and the Country Fiduciary Re-engagement Assessment, 2015) pointed out that budget systems in Zimbabwe lacked transparency and comprehensiveness, they were not properly integrated, could not produce timely and reliable financial statements to promote fiscal discipline, restricting public

and legislative scrutiny of public resources. Given the changing operating environment, the Bank adapted the project to the evolving circumstances, as demonstrated by the restructurings.

The project design had several shortcomings. First, the Bank did not get sufficient assurance on the grant amount, which led to the restructuring of the project (p.102). The scope of activities was extremely ambitious (providing support for "any other emerging needs in the internal audit function"– PAD p.32 and 37) without the necessary budget commitments to be able to provide the necessary unplanned assistance. The number of activities supported was excessive, given the country's capacity and political context. (ICR page 37). The client did not play a prominent role in the design of reforms. A typical example was the reform of payroll that the client did not want but was part of the design (and not implemented). The project's appraisal value was double the Grant Agreement's value. This involved a significant reduction and realignment of the activities and created tensions among the parties involved. The design did not consider that the project implementation unit had not worked with the Bank for several years. Hence, it was unfamiliar with Bank procedures, especially on procurement and fiduciary aspects. (p. 30) Change management, recognized by the ICR as critical from project inception, was undertaken only two years into project implementation (p. 78). Finally, lessons from previous projects were incorporated, such as flexibility in implementation due to political economy considerations.

The Bank did not foresee and mitigate at appraisal two crucial risks. One related to the high cost of licenses, given that the Bank was aware of the 3500 licenses already bought by the government (PAD, p.53), yet it included the acquisition of additional licenses in its design. (PAD, p39). A second unforeseen risk was the loss of qualified staff. The "Assessment of the Zimbabwe Public Finance Management system for investment lending projects" report -which represented the analytical underpinning of the project - clearly pointed out the insufficient supply of competent public finance management staff in the country and the "huge gap" between the approved and existing number of posts in the public administration. For example, "internal audit has authorized positions for 450, but only 320 are at post". (Assessment of the Zimbabwe Public Finance Management system for investment lending projects, p. 8).

Quality-at-Entry Rating

Highly Unsatisfactory

b. Quality of supervision

Although the Task Team Leader (TTL) was never based in the country and notwithstanding frequent TTL changes, many missions took place during project supervision. For example, in the early stages of implementation, the Zambia-based TTL visited Zimbabwe every month, and in 2018 the Washington, D.C.-based TTL visited Harare four times (ICR page 33). Weekly meetings reviewed progress and made course corrections. A team of experts was based in the country and received appreciation from the client. The transition from TTL to TTL was smooth, with one TTL contributing to the project several months after the reassignment to ensure and facilitate handover. According to the ICR, the Bank team was very honest in reporting implementation problems, presenting how they were putting the achievement of the PDO at risk and bringing them to the attention of management and senior government leadership. Actions were agreed upon and implemented between missions. In particular, the mid-term review mission provided

actionable recommendations that ultimately led to the restructuring of the project. Overall, intense supervision was appropriate for an FCV context.

Quality of Supervision Rating

Satisfactory

Overall Bank Performance Rating

Moderately Unsatisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

At appraisal, the indicators adopted were appropriate. In particular, using Public Expenditure and Financial Accountability indicators at baseline and completion was pragmatic and helpful. The compilation of indicators occurred systematically through monthly, quarterly, and annual reporting templates and benefitted from staff training on data collection and usage. However, the ICR noticed the adopted targets might have been ambitious because they did not consider that PFM reforms take time to become operational, a finding disputed by the first TTL. Hence rather than measuring the extent to which the establishment of systems, procedures and capacity building improved control, transparency, and accountability in the use of public resources (objective of the project), they focus on 'timeliness.' When the project was restructured, the Bank should have adapted the indicators better to measure progress towards establishing such systems.

b. M&E Implementation

The indicators were measured regularly, supported by the PMU and the Bank. A few delays occurred because of coordination issues among ministries. Some inconsistencies in the measure of progress were identified (such as a 100% baseline and 90% target) and corrected.

c. M&E Utilization

The Bank used M&E not only to monitor progress but also to inform project implementation, as evidenced by the reorganization. The data collected was used to engage with the client on progress achieved and to disseminate information on the project to the public through the Treasury's website.

M&E Quality Rating

Modest

10. Other Issues

a. Safeguards

The PAD (page 27) classifies the project as Category "C" for environmental assessment purposes. Hence no safeguards policies were triggered. The ICR confirms this on page 36.

b. Fiduciary Compliance

The project used the Banks' procurement procedures in a consistent matter. The project strengthened local capacity through training and by working with the Bank. Some problems occurred with the STEP (Systematic Tracking of Exchanges in Procurement) system as this was new to both the client and the Bank. Similarly, some costing was not always realistic and led to the reallocation of resources among components. Also, some personal movements implied delays in the signature of relevant documents. The Office of the Auditor General reviewed the project audits and expressed an 'unqualified audit opinion' on the financial statements for all the years except 2016.

c. Unintended impacts (Positive or Negative)

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d. Other

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11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Satisfactory	Moderately Satisfactory	
Bank Performance	Moderately Satisfactory	Moderately Unsatisfactory	Significant weaknesses in project design
Quality of M&E	Modest	Modest	
Quality of ICR	---	Modest	

12. Lessons

Lessons identified in the ICR are helpful, such as (i) the need for the Bank to be more realistic in assessing capacity constraints -recognizing that addressing capacity issues during implementation may delay project implementation (141) - and to be more realistic in assessing initial ownership to ensure that reforms are indeed not only feasible but also doable given the particular country context (144), (ii) In addition to one-off training, it's important to implement a series of actions (training champions to roll the training over, conducting refresher training, impact assessment at the

end of the year to check if the knowledge acquired was being applied, leveraging peer learning, and study tours) to ensure the sustainability of reform process. (146); (iii) the need to correctly time PFM reforms (147); and (iv) obtain assurances of financing from the authorities before proceeding with the design of the project.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR provides a good account of the project design, implementation, and progress toward achieving its outcomes. The analysis was mostly impartial, although some ratings appeared a bit 'optimistic.' Some lessons included multiple lessons in one, were too long and did not highlight the critical insight. The ICR implemented the split rating incorrectly, assessing the project in "phases" rather than achievement across the project's entire lifetime against first the original and then the revised outcomes. And it used the four-point rating scale where it should have been six, and vice versa, in several spots. Unfortunately, IEG could not reach the ICR's author (and the last TTL of the project) to raise questions on issues not clarified by the ICR.

a. Quality of ICR Rating

Modest