REPUBLIC OF RWANDA
Transformation of Agriculture Sector Program 4 PforR
P161876

FIDUCIARY SYSTEMS ASSESSMENT (FSA)

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PREPARED BY
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ACRONYMS AND ABBREVIATIONS

ACCA	Association Chartered Certified Accountants
DfID	Department for International Development
DLIs	Disbursement Linked Indicators
DP	Development Partners
F&C	Fraud and Corruption
FM	Financial management
FMIS	Financial Management Information Systems
FY	Fiscal Year
GAC	Governance and Anticorruption
GoR	Government of Rwanda
IA-CM	Internal Audit Capability Model
IFMIS	Integrated Financial Management Information System
IPSAS	International Public-Sector Accounting Standard
IT	Information Technology
MDAs	Ministry, Districts and- Agencies (RAB, NAEB, SPIUs)
MINAGRI	Ministry of Agriculture and Animal Resources
MINECOFIN	Ministry of Finance and Planning
MTEF	Medium-Term Expenditure Framework
NAEB	National Agriculture Export Board
NPPA	National Public Prosecution Authority
OAG	Office of Auditor General
OCIA	Office of Chief Internal Auditor
(OECD-DAC)	Organization for Economic Co-operation and Development- Development Assistance Committee
OPRC	Operational Procurement Review Committee
OM	Office of Ombudsman
PAP	Program Action Plan
PDO	Program Development Objective
PFM	Public Financial Management
PforR	Program-for-Results
PMO	Prime Minister's Office
PP	Procurement Plan
PSTA	Transformation of Agriculture Sector Program
PU	Procurement Unit
RAB	Rwanda Agriculture Board
RPPA	Rwanda Public Procurement Authority
RWF	Rwandan Franc
SEAS	Subsidiary Entities Accounting System
SPIU	Single Project Implementation Unit
TC	Internal Tender Committee
TSA	Treasury Single Account
UNCITRAL	United Nations Commission on International Trade Law
WB	World Bank

EXECUTIVE SUMMARY

As per the World Bank Policy and Directive on Program for Results (PforR) (2015), the Fiduciary Systems Assessment (FSA) of the Transformation of Agriculture Sector Program 4 Phase 2 was performed. The Organization for Economic Co-operation and Development- Development Assistance Committee (OECD-DAC) "four pillars" approach was used in defining the program procurement risks. The assessment covered the key institutions directly responsible for the PforR , namely, the Ministry of Agriculture and Animal Resources (MINAGRI), the Rwanda Agriculture Board (RAB), the National Agriculture Export Board (NAEB) and Districts.

The FSA entailed the review of the capacity of key participating entities on their ability (a) to plan, record, control, and manage all Program resources and produce timely reliable information to the stakeholders for monitoring and decision-making purpose; (b) to follow and monitor procurement rules and procedures, capacity, and procurement related risks associated with the Program; and (c) to ensure that implementation arrangements are adequate and fiduciary risks are reasonably mitigated.

The review concludes that, (i) the fiduciary risk is Substantial and (ii) the procurement and financial management arrangements complied with World Bank Policy and Directives on PforR requirements and provide reasonable assurance that the proceeds of financing will be used in an economical, effective and efficient manner for the attainment of the Program Development Objectives (PDO). It is worthy to mention that the fiduciary risk identified on the ongoing PforR operation (P148927) does not prevent the achievement of the PDO. No high-value contract with value exceeding Operational Procurement Review Committee (OPRC) threshold is identified under the program procurement plan.

The budget planning framework is robust but the realism of the agriculture program medium-term expenditures and budget allocation is moderate. The ongoing Medium-Term-Expenditure Framework (MTEF) (2017-2020) is not yet fully aligned with the Strategic Plan for Agriculture Transformation 4 (PSTA) strategic priorities and was based on the PSTA3. The 2018-2021 MTEF is being prepared following the budget consultative process. The 2018-2019 draft budget gives reasonable assurance that the PSTA4 strategic priorities is being considered in the enacted budget. The comparison of the expenditures planned in the MTEF and the PSTA4 cost estimates for the related periods demonstrated a significant deviance. In the past years of implementation of the PSTA3, significant deviance between the MTEF and the budget and low budget execution performance at the RAB (68- 70 percent budget execution rate for 2015-2016) were noticed. Analysis suggest multiple underlining factors as inadequate costing, changes in priorities, lack of planning capacity for complex project, and inadequate revenue forecast of externally financed project. The improvements may come from a set of decisive measures to enhance (i) planning and budgeting skills at line Ministry and Budget Agencies (MINAGRI, NAEB, RAB, and Districts), (ii) costing and budgeting methodology, and (iii) reinforcement of collaboration and application of existing planning and budgeting rules within available fiscal space.

The Treasury Single Account (TSA) framework is clearly designed but delays in cash release to implementing entities were reported which could undermine service delivery. The reasons for the delay could be lower than predicted revenue mobilization and suggests that cash planning and management shall be improved. At the Government of Rwanda (GoR) program level, some mitigating measures of delayed cash release could consist in (i) refined revenue collection forecasting model, (ii) improved expenditures

cash flow need estimate at spending entities, and (iii) refine the quality assurance review of cash estimates. More specifically, for the PforR operation, the GoR may request an advance up to 25 percent of the total amount of the financing to enable the recipient to finance expenditures aiming at the achievement of agreed results. The request shall be supported by adequate justification and for the purpose of the program implementation. Once the results are achieved, reported and satisfactorily verified, a revolving advance can be again provided upon justification.

The accounting and financial reporting standards are adequate. Nevertheless, challenges remain at districts level in terms of quality of reporting and respect of the reporting deadline. At Districts, expenditures at subsidiary entities level are not captured and consolidated in the financial reports of the respective Districts. To this extent the central Government designed a template for subsidiary entities to provide financial information for disclosure although not consolidated in the district financial statements. In order to address District and subsidiary entities level accounting and reporting weaknesses, the Ministry of Financing and Planning (MINECOFIN) took a step forward and integrated the Subsidiary Entities Accounting System (SEAS) into the Integrated Financial Management Information System (IFMIS). This move allows the districts to prepare a comprehensive financial report including revenue and expenditures at sub-local entities.

The internal control framework is adequate but areas of improvements remain. The GoR Public Financial Management (PFM) regulations provide a clear segregation of duties between the Chief Budget Manager, the accountant and the Internal Auditor, and describe how well the procedures are applied to budgeting, accounting and reporting chain. The main internal control weaknesses as identified in internal and external audit reports at RAB and Districts are: (i) non-compliance with procurement policy and guidelines; (ii) poor documentation and filing of accounting records; (iii) mis-postings and non-reconciled balance; (iv) irregular and unauthorized expenditures; and (v) non-compliance to tax rules and regulations among others. The effective implementation of the PFM learning and development strategy and the roll-out of IFMIS and eProcurement at sub-national entities will contribute to the enhancement of the internal control.

The verification of the Disbursement Linked Indicators **(DLIs) achievement is reinforced**. The Monitoring of the results achievement is overseen by the PMO, however the human resource capacity of this office is limited. Given the nature of the DLIs the OAG will serve as the verification entity for the PforR Program and will perform an independent review to confirm the achievement of the results agreed. The adequate resources (estimate at US$50,000 per year) shall be provided to the OAG via budget appropriation to timely perform the verification. A sound planning of the verification assignment shall be designed to allocate sufficient time to the OAG to complete the verification. The Internal Auditors are not familiar with the PforR instrument and an induction training will be provided. The World Bank multidisciplinary team will counter-review before the confirmation of the achievement of results and the release of funds. The definition of the DLIs and the verification protocol is clearly detailed in the Program Appraisal Document.

The internal audit function exists at all PforR Program implementing entities but still displays some capacity gap. MINAGRI, NAEB, RAB and Districts have Internal Audit Units with 1, 2 and 3 internal audit staff respectively. RAB's internal audit staff are currently studying towards the Association Chartered Certified Accountants (ACCA) certification. Districts are required to have 3 Internal Auditors but some Districts still have 2 Internal Auditors leading to ineffectiveness in the audit function and inability to cover and monitor all risk areas. Further challenges at Districts are to recruit and retain experienced or qualified accountants and Internal Auditors. The implementation of the retention and career development strategy for accountants and Internal Auditors would help address the issue. Finally, the quality of risk matrix, the linkage of internal audit medium-term, and an annual plan with the risk is moderate and will require further and continuous hands-on training. Allocation of adequate resources in quantity and quality to effectively implement the internal audit work program is important to improve the effectiveness of the internal audit.

The Audit Committees are in place at all implementing entities and the capacity of the members of the Audit Committee still need continuous enhancement to support the internal audit function and the achievement of entities' strategic objectives while adequately monitoring risks. The Office of Chief Internal Auditor (OCIA) is in charge of capacity building of audit committees of Ministries,Districts and Agencies (RAB, NAEB, SPIUs) (MDAs), and organizes periodic induction training to Audit Committee members. The trainings are useful, almost generic and shall be complemented by tailored trainings based on specific issues encountered in the sectors or entities. An effective performance evaluation of the Audit Committee using a mix of peer review or independent review methods will pave the way for steady and continuous improvements.

The OAG has audited timely and satisfactorily entities involved in the PforR Program. The Auditor General expresses an unmodified opinion (clean opinion) on the MINAGRI financial statements and on compliance. The audit opinion on RAB financial statements has been consistently adverse and signals an ineffective, inefficient use of public resources and hampers the achievement of sector strategic objectives. The PforR Program is providing incentives via a DLI to improve the accountability at RAB and achieve a clean audit opinion the third year of the PforR Program. This is complemented by a Program Action Plan (PAP) on a sound annual action plan to address the weaknesses endorsed by the Audit committee to be submitted to the World Bank.

The OAG capacity is adequate to audit the PforR Program but can be undermined by emerging needs. The OAG has developed a 5-year strategy (2013-2018) supported by the GoR and Development Partners (DPs) to enhance skills, methodology and infrastructure. The strategy has been successfully implemented and 85 percent of the GoR expenditures were audited in 2015-2016 compared to 82 percent in 2014-2015. A new strategy is under development with the Department for International Development (DfID) support. However, the recent progresses shall not mask the need to further increase and enhance OAG capability to cover all GoR expenditures, audit Information Technology (IT) infrastructures which are increasingly embedded in GoR functions, creating opportunity for improved efficiency but also risks. This could be only achieved by adequate budget allocation and timely release of funds to the OAG to support the implementation of the OAG strategy and action plan.

The OAG will prepare each fiscal year (FY), the financial audit report of the MINGARI, NAEB, RAB and Districts. The MINAGRI, NAEB and RAB reports shall be submitted to the World Bank by the MINAGRI not later than 10 months after the end of the fiscal year. The report shall include a statement to confirm that no debarred firms (World Bank list) have been awarded contracts under the PforR Program.

Rwanda's strides against corruption is praised thanks to a robust regulatory and institutional arrangement to monitor fraud and corruption (F&C). Rwanda ranked 4th in Africa in Corruption Perception Index (2017). The fight against corruption framework applies to the PforR Program implementing entities, (i.e. MINAGRI, NAEB, RAB and Districts). The Institutions in charge of the fight against F&C are mainly the Office of the Ombudsman (OM), the National Public Prosecution Authority (NPPA) and the OAG

The OM financial resources have been decreasing or stagnant over recent years and may hinder the Office capacity to deliver its mandate. The OM mandate covers wide areas from investigation, prosecution of cases of corruption to sensitization and research on corruption. The number of cases is increasing as the pending cases are not resolved. In contrary, the Office Budget has decreased from 1.9 billion in 2012-2013 to 1.4 in 2015-2016. An increase of 22 percent was noticed since 2016-2017 but is expected to stagnate in the coming years. Compared to Botswana, (1st country in Africa in Corruption

Perception Index), budget allocation shared in the total expenditures of the Government is far behind (0.04 percent in Rwanda, and 0.09 percent in Botswana). Providing and maintaining the adequate financial and human resources capability of the OM is critical to assure and increase its ability to deliver on its broad mandate.

The complaint handling mechanisms work reasonably well, though more still need to be done to create a mindset change to report more proactive cases of corruption. There are multiple channels of making and recording complaints on F&C, including on procurement: There is a reasonably good citizen's engagement and complaints handling mechanism for F&C. The NPPA has a free hotline (3677) that enables anyone with information on corruption or has a complaint to easily report to NPPA. The OM also has multiple sources of receiving complaints, including hotlines, secure complaint boxes in public organizations and the 30 districts, via email and letters. The effectiveness of the above mechanism depends in part on the citizen engagement to systematically report cases of corruption. The Transparency International Bribery Index suggests that very low cases of corruption are reported (20 percent in 2015-2016). It is agreed that cases of corruption under the program shall be reported to the World Bank (WB) on an annual basis by the OM.

1. Program fiduciary legal, regulatory framework, Institutional arrangements

1.1 Methodology and Scope

The FSA of the PforR Program follows (i) the WB policy and directive for PforR Financing, (ii) the OECD-DAC "four pillars" approach in defining procurement inherent risks, (iii) the Guidance Note for the PforR operation, and (iv) the fiduciary performance of the ongoing operation.

The FSA focuses on identifying the key PFM strengths and weaknesses including procurement of the implementing entities (MINAGRI, RAB, NAEB, and Districts) and measures to tackle F&C in achieving the overall program development objectives. The assessment covers the following critical elements of an open and orderly program of the PFM system.

(i) ***Planning and budget preparation.*** The realism of the program budget, policy based, and implemented in an orderly and predictable manner.

(ii) ***Procurement.*** The procurement system performance was assessed based on the Government's procurement legal framework and to the degree to which the planning, bidding, evaluation, contract award, and contract administration arrangements and practices provide reasonable assurance that the Program will achieve the intended results through its procurement processes and procedures.

(iii) ***Accounting and financial reporting.*** Adequate program records are maintained and financial reports produced and disseminated for decision-making, management, and program reporting.

(iv) **Treasury management and funds flow.** Adequate and timely funds are available to finance program implementation.

(v) ***Internal controls (including internal audit).*** There are satisfactory arrangements to (a) monitor, evaluate, and validate program results; and (b) exercise control and stewardship of program funds.

(vi) ***Program audit.*** Adequate independent audit and verification arrangements are in place following the international standards on auditing.

(vii) ***Fraud & Corruption (F&C).*** Adequacy of regulatory and institutional arrangement to prevent, detect, investigate and sanction cases of F&C.

Conclusion is drawn on the residual risk after combining the inherent and control risks in the country's PFM system as mitigated by a combination of the Government's efforts in PFM reforms, the proposed

mitigation measures and Bank supervision efforts. In line with the 2014 Guidance Note on Systematic Operations Risk-Rating Tool, the FM risks are rated as Low (L), Moderate (M), Substantial (S) or High (H).

1.2 Fiduciary Legal and Regulatory Framework

The fiduciary arrangements of the program are anchored in:

(i) The 2003 Rwanda Constitution revised on December 24, 2015, Articles 162 to 166.

(ii) The Organic Law No. 12/2013 of 12/09/2013 on State Finances and Property that establishes principles and modalities for sound management of State finances and property. The organic law applied to all budget entities at Central and decentralized levels and sets up fundamental PFM principles as comprehensiveness, transparency, accountability, uniformity, consolidation and gender balance in public State finance management.

(iii) The Ministerial Order No.001/16/10/TC of 26/01/2016 on financial regulations that regulates the structure and functioning of PFM, the preparation and implementation of the State budget, the accounting and reporting of all financial transactions, and the financial control. The Order applies to the management of public finances of all public entities including the Central Government entities, decentralized entities, public institutions and subsidiary entities.

(iv) The Articles 165 and166 of the Rwanda revised Constitution and the Law No. 79/2013 of 11/9/2013 determins the mission, organization and functioning of the OAG of State finances.

(v) The GoR's public procurement legal framework is based on the United Nations Commission on International Trade Law (UNCITRAL) model. The Procurement in Rwanda is regulated by Law No. 12/2007 of March 27, 2007 and its associated regulations, revised in 2013. The Rwanda Public Procurement Authority (RPPA) is the Public body established on February 20, 2008 by the Law No. 63/2007 of December 30, 2007. The RPPA mission is oriented towards regulation, capacity building and control. The 2013 Law is further detailed by Ministerial Order No. 001/14/10/TC of 19/02/2014 establishing regulations on Public Procurement and Standard Bidding Documents; Law modifying and completing the Law No. 12/2007 of 27/03/2007 on Public Procurement (No.05/2013 of 13/02/2013); Public Procurement User Guide, November 2010 and Rwanda Public Procurement Authority and MINECOFIN circulars. The procurement Laws are being updated to include the eProcurement rolled out in July 2017 to all MDAs.

(vi) The Article 633 of Organic Law No. 01/2012/OL of the Penal Code on corruption and several other laws to help fight, prevent, investigate and punish F&C[i]. The Law establishing the OM was amended in 2013 (Law No. 76/2013) to enable the OM to prosecute cases of corruption in order to speed up the prosecution procedures. A Whistle Blowers' Protection Act was passed in 2013 to provide incentives to report cases of F&C. One key innovation for deterrence is the naming and shaming policy of those convicted of corruption whose names and offences are published in newspapers and at the website of the OM (http://www.ombudsman.gov.rw).

1.3 Institutional Arrangements

MINAGRI is the policy maker in the agriculture sector, and RAB and NAEB are the main agriculture sector policies implementing entities supplemented by Districts receiving earmarked funds for agriculture related activities. These entities have shared responsibility for the efficient and effective implementation of the agriculture sector strategy, PSTA3 (2013-2018) and the new PSTA4 (2018-2024). The PforR operation will use the existing implementation and coordination systems at the central and sub-national levels. The PforR funds will flow into the TSA via the Ministry of Financing and Planning to implementing entities

(MINAGRI, NAEB, RAB, and Districts). The major share of the program operation will be implemented by MINAGRI, NAEB and RAB (around 82 percent), and 0.59 percent in average by each 30 Districts. As a result, the assessment was emphasized on these entities.

2. Review of Public Financial Management Cycle

This chapter reviews critical PFM elements of implementing the PforR operation to assess the capacity of the implementing agency to plan, record, control, and manage all program resources and produce timely, understandable, relevant, and reliable financial information to stakeholders for monitoring and audit purposes.

Planning and budget

The budget planning framework is robust. According to the Organic Law on State Finances and Property (2013), the program implementing entities prepare the MTEF, Single Action Plan and associated annual budget estimating the program expenditures to achieve the agriculture sector strategic objectives. The budget call circulars issued by the MINECOFIN details the budget preparation guidelines and embedded consultative provisions between the spending entities (MINGARI, RAB, NAEB, and Districts) and the MINECOFIN.

The credibility of the agriculture program medium-term expenditures and budget allocation is moderate. The ongoing MTEF (2017-2020) is not fully aligned with the PSTA4 strategic priorities and was based on the PSTA3. The 2018-2021 MTEF is being prepared following the budget consultative process. The 2018-2019 draft budget gives reasonable assurance that the PSTA4 strategic priorities is being considered in the enacted budget by June 2018. The overall PSTA4 program cost is estimated at 2.7 trillion Rwanda Franc (RWF) (US$3.2 billion) over the next 6 fiscal years starting in 2018-2019. The PSTA4 is aligned with the 7 years that the GoR National Transformation Strategy recently developed. The comparison of the expenditures planned in the MTEF and the PSTA4 costing for the related periods demonstrated a significant deviance (Table 1). However, this operation is supporting the Government expenditures program over the period 2018-2021 of 279.97 billion RWF (US$329 million) which is going to be enacted in June 2018 by the Parliament. In the past years of implementation of the PSTA3, significant deviance between the current MTEF and the budget and low budget execution performance at RAB (68.70 percent budget execution rate for 2015-2016) were noticed (Table2). Analysis suggests multiple underlining factors as inadequate costing, procurement planning and implementation, changes in priorities, lack of planning capacity for complex project, and inadequate revenue forecast of externally financed project. The program budget predictability largely depends on GoR fiscal space and decision to increase budget allocation to the sector and DPs' commitment. For the next three fiscal years, the program expenditures are estimated at US$329 million out of which US$85 million (26 percent) financed by the WB and US$244 million (74 percent) by the GoR and DPs, but the latter commitment is to be confirmed.

Table 1: MTEF and PSTA4 costing

	2018-2019	2019-2020
PSTA4 costing	270,829,280,600	366,323,891,354
MTEF	107,438,597,973	78,980,254,650
Deviance	152%	363%

Source: Finance law 2017-2018 and PSTA4

Table 2: MTEF and budget for MINAGRI

	2014-2015	2015-2016	2016-2017	2017-2018
BUDGET (n)	90,298,698,305	102,870,277,395	92,805,294,899	98,983,924,261
MTEF (n+1)	107,438,597,973	78,980,254,650	112,661,504,073	126,485,443,739
Deviance	-19%	23%	-21%	-28%

Source: Finance law

The realism of budget planning and execution effectiveness shall be strongly improved to address significant expenditures composition deviations noticed in recent years. The improvements may come from a set of decisive measures to enhance (i) planning and budgeting skills at line Ministry and Budget Agencies (MINAGRI, NAEB, RAB, and Districts), Public Investment Management and procurement planning, (ii) costing and budgeting methodology, and (iii) reinforcement of collaboration and application of existing planning and budgeting rules within available fiscal space.

Procurement planning is globally adequate. The procurement plan is done by implementing entities in the eProcurement system based on approved budget and activities. The amount of contracts are committed in IFMIS for payment. No commitment above budget appropriation is allowed without budget reallocation or increased by authorized persons.

No high value contract with value exceeding OPRC threshold is identified under the program procurement plan. High-value contracts are defined by PforR Policy and Directive as "an individual contract's estimated monetary value equal to or more than 25 percent of the estimated total Program expenditures" or "contracts with estimated values exceeding the monetary amounts, as may be amended from time to time, that require mandatory review by the Bank's OPRC" (i.e. with moderate risk rating OPRC threshold is US$115M for Works, US$75M for Goods and US$30M for Consultancy Services). The major program procurements are managed under MINAGRI, NAEB and RAB. The main areas that are supported under the program are: MINAGRI Organizational Development, improved analytical and policy reform competencies, development of digital information platforms, strengthening public private dialogue and specific commodity value chain platforms, irrigation and terracing schemes, matching public financing in Private Public Partnership infrastructure projects, Private sector service models designed, and National Agricultural Insurance Pilot Scheme design.

Treasury management and funds flow

The TSA framework is clearly designed. All implementing entities operate with sub-accounts of the main TSA. Each day a notional amount equal to the commitment ceiling is associated with sub-accounts and purchases made through these accounts involved a debit of funds directly from the TSA. Each of these accounts operates as a zero-balance account. Any payment from those accounts are cleared against the TSA daily. Commitment ceilings are modified daily according to expenditures and revenues flow through the accounts for application at the start of the next day. All cash balances, therefore, are calculated daily and consolidated.

Transfers to the sub-account are made for local Government for earmarked funds to the district bank accounts. Large District payments can be directly made from the Treasury. The Districts prepare and make large payments for the sub-national entities through the treasury. However, sub-national entities (sectors, pharmacies, schools, etc.) receive transfers as grants or generates their own revenues which are expensed. Consequently, the actual expenditures which takes place is not fully captured by the GoR IFMIS. There are challenges in tracking transfers to and through the Districts which should net off on consolidation. Therefore, although the ability of the existing system of funds flow to track transfers and expenditures at

the service delivery units exists, it has some gaps and all sub-local entities, revenues and expenditures are not reported.

Delays in cash release to implementing entities were reported which could undermine service delivery. The reasons for the delay could be delayed revenues mobilization and suggests that cash planning and management shall be improved. At the GoR program level, some mitigating measures of delayed cash release could consist in (i) refined revenue collection forecasting model, (ii) improved expenditure cash flow need an estimate at budget entities level, and (iii) refine the quality assurance review of estimates. More specifically, for the PforR operation, the GoR may request an advance up to 25 percent of the total amount of the financing to enable the recipient to finance expenditures aiming at the achievement of agreed results. The advance request shall be adequately justified by the Borrower and aims at the implementation of the Program activities. Once the results are achieved, reported and satisfactorily verified, a revolving advance could be again provided upon justification.

Accounting and financial reporting

The accounting and financial reporting standards are adequate. Organic Law on State Finances and Property requires the revenues and expenditures of central Government or decentralized entities to adhere to internationally accepted standards. The budget classification system is comprehensive and consistent with international standards. The budget is prepared in compliance with the International Monetary Fund's Government Finance Statistics Manual (2001). The Chart of Accounts allows the preparation a full set of financial statements in accordance with the International Public-Sector Accounting Standards (IPSAS), on a modified cash basis. The financial statements are prepared on a "modified cash basis" of IPSAS whilst the budget is prepared on a cash basis. A complete set of financial statements includes the following components: (a) Statement of financial position ;(b) Statement of financial performance; (c) Cash flow statement; and (d) Accounting policies and notes to the financial statements. Each implementing entities are required to produce a monthly financial report to the MINECOFIN (on the 15th of the following month). Budget programs and sub-programs have been mapped to the Classification of Functions of Government standards[1]. To further improve the quality of financial reporting, the GoR designed a roadmap to move to accrual IPSAS in a phased approach with the main objective to enhance assets and liabilities management.

Challenges remain at Districts level in terms of quality of reporting and respect of the reporting deadline. At Districts, expenditures and revenues of subsidiary entities are not captured and included in the financial reports (general ledger) of the respective Districts. To this extent, the central Government designed a template for subsidiary entities to provide financial information for disclosure although it is not consolidated in the district financial statements. In order to address Districts and subsidiary entities level accounting and reporting weaknesses, MINECOFIN took a step forward and integrated SEAS into IFMIS. This move allows districts to prepare a comprehensive financial report including revenues and expenditures of sub-local entities.

Procurement processes and procedures

The GoR has acceptable public procurement legal framework based on the UNCITRAL model, and it is quite robust and covers all aspects of public procurement at all levels of Government. The Rwanda public procurement law is based on international fundamental procurement principles of transparency, competition, economy, efficiency, fairness and accountability as articulated under Article-4 of the Law. The Law is supported by implementing Regulations and a User Guide to facilitate understanding of the requirements and good practices. There are Standard Bidding Documents to simplify and standardise the bidding process. Furthermore, Rwanda enacted **Law No. 011/2016 of 02/05/2016** establishing the

[1] OBL Article 33 "Expenditure estimates of each public entity shall be organized in a programmatic, economic and functional classification, in line with international accepted classification standards of expenditures."

Association of procurement professionals and determining its organization and functioning as a step towards professionalization of procurement.

Under the program, the Institutional arrangement, implement and monitor procurement is adequate. The implementation of procurement operation is integrated in the Government institutions. The unit responsible for handling procurement in the implementing agencies is Procurement Units under the corporate services of respective agency (MINAGRI, RAB, NAEB and Districts). Procurements and/or contracts are monitored regularly by RPPA and all procuring entities are required to provide a monthly report to RPPA on the implementation of the procurement plan. RPPA has the overall responsibility to train all new procurement staff and new members of the internal tender committees on national procurement procedures as outlined in the Procurement Law. In addition, RPPA provides refresher trainings to all procurement staff at least once a year. Besides, the OAG undertakes compliance auditing, in addition to the established, financial auditing. OM is also over sighting on an informational basis. In addition, each procuring entity has Internal Auditors who reviews financial and procurement operations on a regular basis. The Implementing entities are adequately staff with experienced procurement staff. (Box 1)

Box 1 Staffing at Implementing entities

MINAGRI

The procurement staffing is adequate to manage the PforR-II. The Corporate service is staffed with two procurement staff; one procurement specialist and one procurement officer. They both have experience of more than 9 years. The same team has gained experience in PforR as they are managing the ongoing Agriculture PforR in Agriculture.

The corporate service has implemented RWF 2,139,844,448 in FY17. Out of this, RWF 550,000,000 was spent through procurement while RWF 800,000 was recurrent budget. The average number of bidders for procurement of Works is 8, for Goods 6 and for Consultancy service 4. Procurements of the agency is predominantly Goods followed by Works and Consultancy service.

RAB

The corporate service has a procurement unit with a head and two procurement officers. RAB is also among the implementing agencies of Agriculture PforR-I and they have gained the experience. The qualification, experience and number of existing procurement staff is assessed to be adequate to manage the implementation of procurement of the program in addition to their current workload.

Adequate procurement planning and execution are actively enforced by the RPPA through a program of training and procurement audits, carried out in accordance with an internal control and audit manual. The audits cover all phases of public procurement proceedings and execution of contracts, from preparation of procurement plans to completion of contracts. The audit reports shown that there are improvements from time to time in all procurement indicators. Notwithstanding, there are areas where the level of compliance is below the target set by RPPA and need improvement.

In addition to the procurement audits, procurement related complaints are reviewed by a National Independent Review Panel. Thus, the business community is taking advantage of its right to challenge the decisions of Procuring Entities and the Procuring Entities are aware that any departure from the Law or bias and unfairness in evaluation and contract award may be subject to challenge.

The GoR has developed a full-fledged e-Procurement System and rolled out to all budget agencies at national and sub-national levels; as part of its procurement modernization. The system is expected to enhance transparency, minimize F&C and ensures efficiency of the procurement process. The system is accessible by internet to all Government entities, the business community and the public.

RPPA has organized training programs to familiarize procurement practitioners and ITCs with the requirements of the Law and with the procedures to be followed.

Despite robust procurement framework and reasonably adequate compliance and oversight in place, some public procuring entities still have gaps to fully comply with all the requirements. Among others, the major ones are: (i) Negotiating on contract prices whenever the offer of the winning bidder is above the planned budget, though there is no provision in the national procurement law that allows negotiating on the contract price; (ii) Lengthy bidding process and contract award than prescribed by the law. The law prescribes 21 days from the date of opening to contract signing. However, some procuring entities are taking a much longer period. Besides, signing of contracts endorsed by the Internal Tender Committee (ITC) is taking time beyond reasonableness; (iii) There is lack of capacity of procurement staff, especially to manage high value procurements; (iv) Selection of consultants on "Open Competitive" basis by directly issuing Request for Proposal without request for expression of interest; and (v) staff turnover and capacity to manage complex procurement.

Internal Control and Internal Audit

Internal control

The internal control framework is globally adequate. The GoR PFM regulations set a clear segregation of duties between the Chief Budget Manager, the accountant and the Internal Auditor and describes well the procedures applied to budgeting, accounting and reporting chain. The Organic Law on State Finances and Property (2013) and the Ministerial Order on financial regulations (2016) require the Chief Budget Manager *"to establish and maintain effective, efficient and transparent systems of internal controls and risk management."* Processes and procedures to be followed by the budget agencies to ensure adequate monitoring and safeguard of assets are laid down. The main internal control weaknesses as identified in internal and external audit reports at RAB and Districts are: (i) non-compliance with procurement policy and guidelines; (ii) poor documentation and filing of accounting records; (iii) mis-postings and non-reconciled balance; (iv) some irregular and unauthorized expenditures; and (v) non-compliance to tax rules and regulations among others. However, these weaknesses have not prevented the achievement of the project development objectives of ongoing PforR operation. The implementation of the PFM learning and development strategy and the roll out of IFMIS and eProcurement at sub-national entities will contribute to the enhancement of the internal control.

The verification of the DLIs achievement mechanism is reinforced. The monitoring of the results achievement is overseen by the Prime Minister's Office (PMO) but the Office of Human Capacity is limited. Given the nature of the DLIs, which are outputs oriented, beyond the verification done by the relevant technical departments at RAB, NAEB, MINAGRI, Districts and PMO, and the internal audit, the OAG will serve as the verification entity for the PforR Program and will perform an independent review to confirm the achievements of the results agreed. The adequate resources shall be provided to the OAG via budget appropriation to perform timely the verification. The internal audit at MINAGRI and RAB shall receive induction training on the PforR instrument and due diligence to apply. The W's multi-disciplinary team will counter verify before the confirmation of the achievement of the results and the release of funds. The definition of the DLIs and the verification protocol shall be clearly detailed in the program document. The internal audit and external audit review is compliance-oriented and the intrinsic technical quality of the outputs shall be reviewed and approved by adequate mechanism as the Sector Working Group or other mechanism to be agreed during implementation.

Internal Audit

The internal audit function exists at all program implementing entities but still displays some capacity gap. The internal audit function is critical to ascertain the efficacy of internal control and is crucial in determining the effective and efficient use of public funds. To discharge its functions effectively, the internal audit unit must possess the key twin attributes of professionalism and independence. The Government Chief Internal Auditor, the Office of the Chief Internal Auditor (OCIA) supports Ministries, Districts and Agencies (RAB, NAEB, SPIUs) (MDAs), makes informed decisions, uses resources effectively and efficiently, and satisfies their respective statutory and fiduciary responsibilities. Internal Auditors report quarterly to Audit Committees including status of implementation of audit recommendations (external and internal) and the Internal Audit Department in MINECOFIN who consolidates and reports to the PMO who then reports to the Cabinet. The effectiveness of an internal audit further depends on how management reacts to its reports. The public sector internal audit capability model (IA-CM[2]), an internationally accepted benchmark developed by the Institute of Internal Auditors prescribes six key elements of the internal audit activity for determining the capability level. Starting from a level between 1-2 in 2010, the OCIA targets to achieve level 4. At this level, Internal Auditors in Government entities will have fully complied with the internal audit regulations and implemented the International Standards for the Professional Practice of Internal auditing[3]. Through the PFM Basket Fund, internal audits have improved and the recent self-assessment concluded that the function is slightly above level 3 of the IA-CM and targets to be at level 4.

Despite the advanced level attained as per the self –assessment, the realism of the audit work program, skills development and retention are still a challenge. MINAGRI, NAEB, RAB and Districts have Internal Audit Units with 1, 2 and 3 internal audit staff respectively. RAB's internal audit staff are currently studying towards the ACCA certification. Districts are required to have 3 Internal Auditors but some Districts still have 2 Internal Auditors leading to ineffectiveness of the audit function and inability to cover and monitor all risk areas. Further challenge for the Districts is to recruit and retain qualified accountants and Internal Auditors. The implementation of the retention and career development strategy for accountants and internal auditors would help address the issue. Finally, the quality of the risk matrix, the linkage of internal audit medium-term and annual plan with the risk is moderate and will require further and continuous hands on training. Allocation of adequate resources in quantity and quality to effectively implement the internal audit work program is critical to improving the effectiveness of the internal audit. The Internal Auditors at RAB, NAEB and MINAGRI are not familiar with the PforR instrument. Since they will be playing a role on the DLIs verification mechanism, an induction training on the PforR instrument will be critical to perform the due diligence required from the function.

Audit Committee

The audit committees are in place at all implementing entities. In July 2012, MINECOFIN published a model Audit Committee Charter and a Handbook that provides guidelines to Audit Committees in Ministries, Districts, Agencies and Government Business Enterprises. The purpose and authority of Audit Committees in Ministries, Districts and Agencies (RAB, NAEB, SPIUs) (MDAs) are stipulated by the Ministerial Order (2017) setting out Regulations for internal audit in the Government and Ministerial Instruction No. 004/09/10/MIN of 01/10/2009 for the establishment of the audit committees in public entities, local Government entities, autonomous and semi - autonomous public entities. Audit Committees are set to provide oversight on the PFM systems and shall assist the Board of Directors, District Councils and Senior Management in fulfilling their responsibilities for the financial reporting process, the Internal

[2] IA-CM capability elements: (i) Services and Role of Internal Auditing; (ii) People Management; (iii) Professional Practices; (iv) Performance Management and Accountability; (v) Organizational Relationships and Culture; (vi) Governance Structures; and (vii) Use of Information Technology.

[3] The components of the International Standards for the Professional Practice of Internal Auditing are: the definition of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practices of Internal Auditing (Standards), Position Papers, Practice Advisories, and Practice Guides.

Control System, risk management, the internal and external audit process, and the government entity's process for monitoring compliance with laws and regulations.

The capacity of the members of Audit Committee still need enhancement to support the internal audit function and the achievement of entities strategic objectives while adequately monitoring risks. The OCIA is in charge of capacity building of audit committees of MDAs and organise on a periodic basis induction training to Audit Committee members. The trainings are useful, almost generic and shall be complemented by tailored trainings based on specific issues encountered in the sectors or entities. Finally, an effective performance evaluation of the Audit Committee using a mix of peer review or independent review method will pave the way for steady and continuous improvements.

Program external audit

The Auditor General of state finances has the mandate to audit all public revenues and expenditures as per the Law No. 79/2013 of 11/9/2013 determining the mission, organization and functioning of the Office of the Auditor General of State finances. This Law also governs procedures for auditing state finances. Reports prepared by the Auditor General are submitted to the Parliament and considered by the Committee in charge of public accounts. The Auditor General and Deputy Auditor General are appointed by a Presidential Order and tenure of office is secured by the Auditor General and Deputy Auditor General being appointed for a five-year term, renewable only once.

The Public Accounts Committee collaborates with the Auditor General of State Finances to consider reports and other documents, conduct hearing on all matters connected with State finances and property managed by any public entity. RAB management was subject to a hearing in 2016 given adverse audit opinion in 2015-2016 audit report.

The OAG has audited timely and satisfactorily public entities involved in the program. The Auditor General expresses an unmodified opinion (clean opinion) on the MINAGRI financial statements and on compliance. Nevertheless, areas of improvements related to land expropriation, contracts management and irrigation shall be considered for further actions. RAB consistently received adverse opinions both on financial statements and on compliance since 2013. Some progress has been made in addressing some findings (13 percent of long outstanding debtors were recovered during the FY, decreased mis-posting of expenditures compared to last FY) but the latter's remains moderate compared to the magnitude of the issues raised. Therefore, a detailed action plan to address all remaining findings shall be designed and endorsed by the Audit Committee. All 30 Districts have obtained qualified or adverse audit opinions.

The audit opinion on the RAB financial statements has been consistently adverse and signals an ineffective, inefficient use of public resources and could jeopardize the achievement of the sector strategic objectives. The PforR Program is providing incentives via a DLI to improve the accountability at RAB and achieve a clean audit opinion the third year of the PforR Program. This is complemented by a PAP with a sound annual action plan to address the weaknesses endorsed by the Audit committee to be submitted to the World Bank.

The OAG capacity is adequate to audit the program but can be undermined by emerging needs. The OAG has developed a five-year strategy (2013-2018) supported by the GoR and DPs to enhance skills, methodology and infrastructure. The strategy has been successfully implemented and 85 percent of the GoR expenditures were audited in 2015-2016 compared to 82 percent in 2014-2015. A new strategy is under development with the DfID support. The recent progresses shall not mask the need to further increase and enhance OAG skills to cover all GoR expenditures, and audit IT infrastructures which are increasingly

embedded in the GoR function creating opportunity of efficiency but also risks. This could be only achieved by adequate budget allocation and timely release of funds to the OAG.

The OAG will prepare each FY, the financial audit report of the MINGARI, RAB, NAEB and the Districts. The MINAGRI, NAEB and RAB audit reports shall be submitted to the World Bank by the MINAGRI not later than 10 months after the end of the FY. These entities are implementing significant proportion of the program expenditures (82 percent) compared to each 30 Districts implementing in average 0.59 percent of the Program expenditures. The audit report shall include a statement to confirm whether or not debarred firms (world Bank list) have been awarded contracts under the PforR Program.

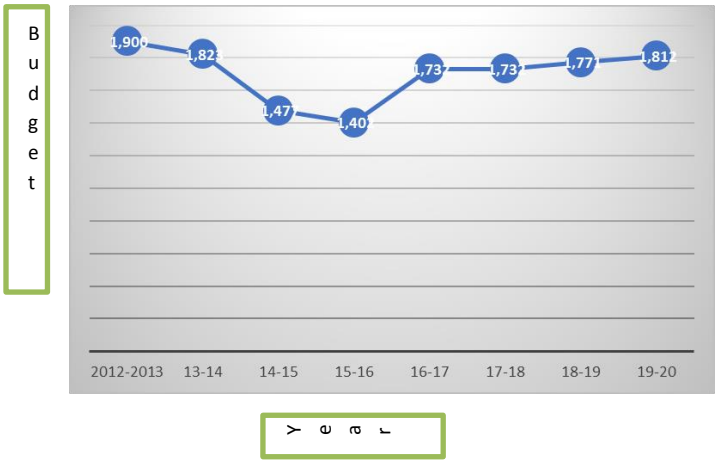
Governance and Anti-corruption (GAC)

Corruption hampers development outcomes and access to quality service delivery. The GoR strides against corruption and is praised thanks to a robust regulatory and institutional arrangement to monitor F&C. Rwanda ranked 4th in Africa in Corruption Perception Index (2017). The fight against corruption framework applies to the program implementing entities, ie MINAGRI, RAB and the Districts. The Institutions in charge of the fight against F&C are mainly the OM, the NPPA and the OAG.

The legal provisions for investigation, prosecution and prevention of fraud corruption and enforcement is comprehensive. The legal framework is composed of the (i) Constitution of 2003 amended in 2015, (ii) Organic Law No. 01/2012/OL of 02/05/2012, instituting the penal code (iii) Law No. 76/2013 of 11/09/2013, determining the mission, powers, organization and functioning of the OM;(iv) Organic Law No. 61/2008 of 10/09/2008 on the leadership code of conduct; (v) Law No. 23/2003 of 07/08/2003, on the prevention, suppression and punishment of corruption and related offences; (vi) Law No. 47/2008 of 09/09/2008, on preventing and penalizing the crime of money-laundering and financing terrorism; and (viii) Organic Law of 12/09/2013, on state finances and property. The Law establishing the OM was amended in 2013 (Law No. 76/2013) to enable the OM to prosecute cases of corruption and speed up the prosecution process. A Whistle Blowers' Protection Act was passed in 2013 to give reasonable assurance and incentives to report cases of F&C. This complements the Law on access to information (2013). One key innovation for deterrence is a naming and shaming policy for persons convicted of corruption whose names and offences are published in newspapers and on the website of the OM (http://www.ombudsman.gov.rw).

The OM resources have been decreasing or stagnant in recent years and may hinder the Office capacity to deliver its mandate. The OM mandate covers wide areas from investigation, prosecution of cases of corruption to sensitization and research on corruption. The number of cases is increasing as the pending cases are not resolved. In contrary, the Office Budget has decreased from 1.9 billion in 2012-2013 to 1.4 in 2015-2016. An increase of 22 percent was noticed in 2016-2017 but is expected to stagnate incoming years (Table3). Compared to Botswana, (1st country in Africa in Corruption Perception Index), budget allocation share in the total expenditures of the Government is far behind (0.04 percent in Rwanda, and 0.09 percent in Botswana). Providing and maintaining the adequate financial and human resources capability of the OM is critical to assure and increase its ability to deliver on its broad mandate.

Table 3 : Budget allocation to the Office of Ombudsman.



Source: Rwanda Finance law

The independence of the OM is formally guaranteed. The OM has operational independence; the Chief Ombudsman is appointed for a five-year term, renewable once, and two deputies are appointed for a four-year term each, renewable once. The OM reports to Parliament and the Office of the President.

The Auditor General's report provides pointers to potential cases of F&C, in addition to the public providing information through hot lines and other media. The OAG produces an annual report on the use of public funds. The Report is sent to Parliament's PAC and a copy is provided to the Prosecutor-General as provided for by Article 184 of the Rwandan Constitution as revised to date. However, the law does not require a copy of the report to be provided to the OM which is responsible for investigation of cases of corruption. With the amendment of the law to enable the OM to prosecute cases of corruption, it would be important to officially require a copy of the report of the Auditor General to be sent to the OM.

The complaint handling mechanisms work reasonably well though a lot still need to be done to create a mindset change to report cases of corruption. There are multiple channels of making and recording complaints on F&C, including on procurement. There is a reasonably good citizen's engagement and complaints handling mechanism for F&C. Chief Prosecutors at all Prosecution levels are duty bound to receive complaints from the public every day on allegations of fraud in any Government agency, including MINAGRI, RAB and the Districts. This enables issues to be handled in a timely manner and prevents complainants from seeking to use corrupt means to solve their concerns. The NPPA has a free hotline (3677) that enables anyone with information on corruption or has a complaint can easily communicate to NPPA. The OM also has multiple sources of receiving complaints, including hotlines, secure complaints boxes in most public organizations and the 30 districts, via email and letters. The effectiveness of the above mechanism depends in part on the citizen engagement to systematically report cases of corruption. The Transparency International Bribery Index suggests that very low cases of corruption are reported (20 percent in 2015-2016).

Procedures related to complaints on public procurement are stipulated in the procurement law and can come from bidders who have 7 days to lodge a complaint or request a review. The reporting system for procurement complaints is adequate for this PforR Program. There is also an appeal mechanism for bidders to appeal if not satisfied. There are both National and District Level Independent Review Panels that reviews decisions made on procurement complaints. Complaints related to suspected cases of F&C in procurement are referred to the OM and NPPA for investigation and possible prosecution. Complaints from citizens on suspected cases of F&C are also lodged with the RPPA or directly to the OM or NPPA.

The capacity and commitment to implement the Bank's Anti-Corruption Guidelines is acceptable. Exclusion of World Bank debarred firms is normally acceptable to the Government and RPPA has provided a link to Bank debarment (www.worldbank.org/debarr). The Rwanda law does not automatically debar firms on the World Bank's list from participating in public procurement. The RPPA has its own list of debarred firms. For the PforR Program, although MINAGRI and other implementing agencies have committed in principle to the use of the World Bank list of debarred and suspended firms and individuals, the challenge will be making this list accessible to all implementing agencies including the Districts. However, the overall responsibility of ensuring compliance will have to rest with the RPPA, which can provide a link to the World Bank of debarred and suspended firms. The World Bank's list of debarred and suspended firms and individuals are made public in the RPPA website and shall be included in the ToRs of the OAG to ensure compliance to the list in the annual PforR Program audit. The OM shall also report to the World Bank cases of fraud or corruption on the PforR Program or program implementing entities. The World Bank will make "administrative inquiries" as to how the Government is handling allegations. The Government agrees to report regularly to the Bank any credible and material allegations relating to the PforR Program and at least annually, six months after the end of the FY.

3. Key Risks and mitigating measures

The overall fiduciary risk is substantial (due namely to adverse audit opinion at RAB and some Districts and recent years significant deviations between agriculture sector expenditures and MTEF). The fiduciary framework is sound and provide reasonable assurance that the PforR Program funds will be used efficiently and effectively for intended purpose. The main risks relate to non-policy alignment of budget, and unreliable financial statements at RAB and the Districts. The effective implementation of the mitigation identified will contribute to address weaknesses identified. The table below detailed the proposed mitigating measures.

Identified Key Risks and mitigating measures

Risk sources	Actions to address weaknesses that will support attainment of Program objectives	PAP, DLIs, mitigating measures	Risk level	Responsible	Deadline
1. **Planning and Budgeting -** Overall Financial Management (FM) element objective - the program budget is realistic, prepared with due regard to Government policy, and implemented in an orderly and predictable manner.			Substantial	MINECOFIN/MINAGRI/RAB	
Linkage between the Government of Rwanda (GoR) strategic priorities, Medium-Term Expenditure Framework (MTEF) and Budget allocation for the program exists but significant deviation between the MTEF and budget and low budget execution at Rwanda Agriculture Board (RAB)	Continue to enhance planning and budgeting skills at line Ministry and Budget Agencies MINAGRI, (RAB, Districts), Public Investment Management, (i) costing and budgeting methodology, and (ii) enforcement of collaboration and application of existing planning and budgeting rules within available fiscal space.	Mitigating measures			
2. **Accounting and financial reporting -** Overall FM objective: adequate program records are maintained and financial reports produced and disseminated for decision-making, management, and program reporting.			Substantial		
Risk of inaccurate and non-comprehensive financial statement at RAB and Districts. Absence of the consolidation of subsidiary entities financial information as one of the reason for qualification of district financial statements.	Provide incentives to clean up internal control weaknesses	DLI		RAB, MINAGRI, MINECOFIN	2020
3. Treasury Management and funds flow - *Overall FM objective: adequate and timely funds are available to finance program implementation.*			Moderate		
Delayed funds flow to implementing entities was reported	(i) improved expenditures cash flow need estimate at budget entities level, and (ii) enhance the quality assurance review of cash flow estimates				

Risk sources	Actions to address weaknesses that will support attainment of Program objectives	PAP, DLIs, mitigating measures	Risk level	Responsible	Deadline
4. Internal control (including internal audit) - Overall FM element objective: there are satisfactory arrangements to (a) monitor, evaluate, and validate Program results; and (b) exercise control and stewardship of Program funds.			Substantial		
FM and internal audit competency and staff turnover	Implement the PFM learning and development strategy	Mitigating measures		RAB, MINAGRI	2020
Adverse opinion on compliance at RAB and districts denote low enforcement of the internal control system	Provide incentives to clean up internal control weaknesses. Sound action plan to implement external audit recommendations approved by the Audit Committee	DLI PAP		RAB, MINAGRI, MINECOFIN RAB, MINAGRI, MINECOFIN	2020 2019-2020
Absence of understanding of the PforR instrument may impede the effectiveness of the internal audit role with the PforR	Organize an induction training on PforR instrument	Mitigating measures		MINECOFIN /World Bank	2019
***5.* External audit -** Overall FM element objective: adequate, independent audit and verification arrangements are in place, considering the country context and the nature and overall risk assessment of the Program.			Moderate		
The OAG capacity could be undermined by emerging needs and constrained fiscal space	Allocate the adequate resources to the OAG to meet the merging need	Mitigating measures		MINECOFIN , PAC	2019-

Risk sources	Actions to address weaknesses that will support attainment of Program objectives	PAP, DLIs, mitigating measures	Risk level	Responsible	Deadline
Procurement General Potential risk that Bank Debarred firms may participate in procurement of the Program.	RPPA to issue circular to all implementing agencies of the program with reference to the Link to Bank-debarred firms on RPPA website and MINAGRI & RAB to follow up on and report at Implementation support missions and OAG to verify	Mitigating measures	Moderate	MINAGRI, RPPA	September 2018-2020
Procurement non-compliance Negotiating on bid prices	Enforce the public procurement law through regular and structured trainings and oversight.	Mitigating measures		RPPA	2018-2020
Delays in contract award	Government to do awareness creation to chief budget managers, in addition to a capacity building of procurement trainings and oversight	Mitigating measures		RPPA	2018-2020
Procurement records of the program are not complete	Effective use of full-fledged eProcurement and capture all records in the system	Mitigating measures		RPPA	2018-2020
Use of inappropriate selection method (use of open competitive bid for consultancy service),	RPPA to provide training exclusively on consultancy service	Mitigating measures		RPPA	2018

Risk sources	Actions to address weaknesses that will support attainment of Program objectives	PAP, DLIs, mitigating measures	Risk level	Responsible	Deadline
Fraud and Corruption (F&C) Risk of F&C on the Program not identified The OM capacity could be undermined by emerging needs	Report cases on F&C related to all programs financed by DPs and the GoR using the template agreed Allocate the adequate resources to the OM to meet the expanded scope of work and merging need	Mitigating measures Mitigating measures	Moderate	MINECOFIN, PAC	December 31 2018-
Integrated Fiduciary Risk			Substantial		

4. Implementation support

The fiduciary team will work with the borrower to monitor implementation progress and address underperforming areas identified in the PAP. Fiduciary support includes:

(i) Reviewing implementation progress and working with the task teams to examine the achievement of Program results and DLIs that are of a fiduciary nature;
(ii) Helping the borrower resolve implementation issues and carry out institutional capacity building;
(iii) Monitoring the performance of fiduciary systems and audit reports, including the implementation of the PAP; and
(iv) Monitoring changes in fiduciary risks to the Program and, as relevant, compliance with the fiduciary provisions of legal covenants.

[i] The laws include Organic Law No. 61/2008/0L of 10/9/2008 on leadership code of conduct, Organic Law No.23/2003 of 7/8/2003 Concerning Prevention, Organic Law No.12/2007 of 27/3/2007 on national procurement; Organic Law No.12/2013/OL of 12/09/2013 on Government property and assets; Organic Law No.76/2013 of 11/9/2013 which is an amended law defining powers and mandate of the OM, including the power to prosecute cases of corruption; Ministerial Order No.001/08/10/Min of 16 on national procurement.