***Kingdom of Morocco***

***Municipal Performance Program (P168147)***

**DRAFT FIDUCIARY SYSTEMS ASSESSMENT (FSA)**

***June 20, 2019***

1. **The Program's fiduciary systems are acceptable, and they provide reasonable assurance on the use of the Program’s resources. The fiduciary risk is rated Substantial.** To ensure adequate implementation, the systems will require to be strengthened. The Program Expenditure Framework (tables 3.2 and 4.1) mainly includes two categories: 86 percent of infrastructures (Subprogram 1) and 14 percent of consultant services for capacity building and improvement of knowledge (Subprograms 2 and 3) to be implemented by the participating municipalities and the DGCL, respectively.
2. **Data collection and methodology**. The fiduciary risk is based on (a) the data available at the DGCL TGR, Ombudsman Office, and National Public Procurement Committee; (b) the analyses of quantitative and qualitative fiduciary data from about 64 percent of the municipalities participating in the Program; (c) the PEFA reports both national (2017) and subnational (Casablanca and Agadir); and (d) the independent assessment of the IGF. These data comprised lead time in the submission of the Procurement Plan, percentage of contracts awarded within the service standards, percentage of contracts awarded on a competitive basis, percentage of contracts awarded on a single source basis, budget execution, lead time in the production of th**e financial statements, and percentage of complaints received on contracts awarded at the municipali**ty level. The data were complemented/validated by field visits in a sample of 10 municipalities selected based on a combination of criteria (risk, capacity, size of budget, and population).
3. **Key weaknesses and strengths identified at the municipality level are summarized in figure 4.1**. The weaknesses are mainly in programming/planning, internal control/audit, accounting, procurement/contract management, archives arrangements, and revenue management. More specifically the weaknesses relate to the
4. Lack of maturity of the investment project;
5. Absence of formalized/customized procedures;
6. Insufficiencies in the risk management process;
7. Weak quality of the financial reporting;
8. Inefficiencies in procurement processes, contracts award;
9. Weak quality of the bidding documents and the associated cost estimates;
10. Timely transfer of the performance-based grants to the municipalities; and
11. Limited capacity of the fiduciary staff.
12. In addition, another risk pertaining to the fiduciary coordination (consolidated reporting, reconciliation between the Program expenditures, and disbursements) of the Program at the DGCL level were identified. Lastly, the Program ex ante and ex post arrangements were found adequate to address the risk of fraud and corruption related to the infrastructure under Subprogram 1. These arrangements comprise several effective institutions playing complementary roles (Ombudsman Office, SAI, IGAT, CNCP, and IGF). The MoI will collect—with support from the abovementioned institutions—and report to the World Bank allegations occurring under the Program through the annual progress reports during Program implementation. The reporting format will include the following: (a) location and date of the complaint, (b) allegation’s description, (c) description of progress in investigation, and (d) investigation outcome.

Figure 4.1. Summary of Fiduciary Assessments

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1. **Mitigation measures.** **To mitigate the abovementioned risks, the Program’s design includes a comprehensive and articulated set of measures**. First is the municipal performance framework included in Subprogram 1 (MMCs[[1]](#footnote-1) and PIs)[[2]](#footnote-2) which will be the basis for the allocation of the performance-based grants. It aims to incentivize the municipalities to improve their performance through performance-based grants. Second, Subprogram 3 will focus on TA that incorporates fiduciary TA and hands-on-support as well as deployment information management systems. Third, DLI#1 and DLI#9 will focus on (a) the timely transfer of the performance grants to the municipalities and (b) the financial accountability and transparency related to the publication of the municipal financial audit reports. Fourth is the PAP that includes fiduciary-related actions (appointment of dedicated fiduciary staff for the Program’s transactions and financial statements, implementation of a capacity-building program for the municipalities, and introduction of improved financial reporting standards—in line with International Public Sector Accounting Standards—at the municipality level).
2. **Exclusions. There are no contracts with a value expected to exceed the exclusion OPRC review thresholds.[[3]](#footnote-3)** In addition, municipalities’ infrastructures under Subprogram 1 will be excluded from Program financing if they have the potential to cause significant adverse impact on the environment and/or affected people as defined in the World Bank Policy and Directive on PforR Financing.

**Program Fiduciary Arrangements**

***Overview of the Country PFM Cycle***

1. Morocco’s PFM system is considered adequate with moderate risk. This creates an enabling fiduciary environment for the implementation of the Program. The main conditions for fiscal and financial discipline are indeed met, as evidenced by the credibility of the budget and the achievement of the planned objectives. Budget execution benefits from an adequate information management system (*Gestion Intégré de la Dépense*), as well as from robust internal controls which include ex ante expenditure control based on a risk model. The internal audit function is satisfactory using a risk-based audit approach with an acceptable completion rate of the audits planned, including a proper follow-up of recommendations. Procurement reforms also translate the Government’s efforts to ensure a more strategic and efficient use of resources with the establishment of a CNCP and the harmonization and simplification for the regulatory framework for procurement. Standard bidding documents for works, goods, non-consulting services, and consulting services and general conditions of contract for works, have been developed. The development of general conditions for contracts for goods/services and for consulting services are under way. To facilitate transparent and efficient execution of procurement, the existing electronic procurement system has been improved and includes innovative features such as e-tendering, e-reverse auction, a database, and so on. The SAI, whose independence is well guaranteed ensures effective ex post control.

***Review of PFM Cycle of the entities involved in the Program***

1. **Planning and budgeting**. **The planning and budgeting processes of the DGCL and municipalities are acceptable.** However, the insufficiencies in the investment prioritization/planning/project management may affect the implementation of the Program. To address this weakness, the performance assessment framework incorporates PIs aiming to improve the DGCL and municipalities programming/planning tools. This is complemented by TA under Subprogram 3.
2. **DGCL.** The budget mainly (about 90 percent) comprises operating expenditures (training, workshop, furniture, and small goods), the planning process of which does not pose significant risks. The planning and budgeting follow a structured, timely, and disciplined process which is consistent with the country PFM cycle and ensures that allocations fit within the available budget envelope. The 2017 PEFA assesses the country planning and budgeting procedures as satisfactory (rated A).
3. **Municipalities.** The main issue identified in the field visits and the data from the quantitative/qualitative assessments pertains to the insufficiencies in the multiyear planning process[[4]](#footnote-4) (lack of maturity of the investment projects, delay in settlement process of the affected population, weak link between the planning and the budgeting, and shortcomings in the quality of the technical studies of the investment projects) which translates into weaknesses in the investment budget execution rate (see budget execution section). This issue is confirmed in the Agadir and Casablanca PEFA reports (rated D on the associated indicator). This weakness is addressed by the MMCs (MMC #2 and #4) in the performance assessment framework and is complemented by TA in Subprogram 3.
4. **Procurement profile of the Program. The detailed review of the Program Expenditure Framework did not reveal potential contracts with a cost estimate above the OPRC review thresholds**. The Program procurement activities predominantly include capital expenditures that are focused mainly on two broad categories: (a) 86 percent of infrastructures - table 4.1 (Subprogram 1) and (b) 14 percent of consultant services for capacity building and improvement of knowledge (Subprograms 2 and 3). Examples of activities under Subprograms 2 and 3 include development of TA supporting the national decentralization strategy and the implementation of information management systems including portals, platforms, and monitoring systems with hard and soft equipment.
5. The annual expenditures under Subprogram 1 amount to US$145 million for the 78 participating municipalities detailed as shown in table 4.1.

Table 4.1. Subprogram 1 – Expenditures Category

| **Expenditures Category** | **US$, millions** |
| --- | --- |
| Chapter 10: Administrative infrastructures | 15 |
| Chapter 20: Social infrastructures | 7 |
| Chapter 30: Public spaces, water sanitation, public lighting infrastructures | 56 |
| Chapter 40: Economic infrastructures | 6 |
| Operation and maintenance of eligible infrastructures | 62 |
| **Total** | **145** |

1. A screening of the eligibility of these expenditures has been carried with the fiduciary and environment teams as part of the Program design. Based on this review, the individual contract per municipality does not exceed the OPRC review thresholds.[[5]](#footnote-5)
2. **Procurement planning. The MMCs (#2 and #3) included in the performance assessment framework will help improve procurement planning**. The DGCL and the municipalities are all subject to the procurement planning requirements included in the public procurement decree (No. 2-12-349 of March 20, 2013). In practice, the data collected and the field visits identified procurement planning as an area of improvement as about 25 percent of the participating municipalities experienced issues (delay of about three to four months in the preparation of the Procurement Plans and weaknesses in the quality of the Procurement Plan affecting the budget execution). This is being addressed in the Program by the incorporation of two MMCs (#2 and #3) in the performance assessment framework.
3. **Budget execution, accounting, and reporting. The DGCL’s budget execution, accounting, and reporting procedures are adequate; however, the ones enforced at municipalities will need to be strengthened**. To this end, the performance assessment framework includes indicators on budget execution and reporting aiming to incentivize the municipalities. This will be complemented by TA and hands-on-support under Subprogram 3. In addition, the PAP will include an action related to the municipalities’ financial reporting through the implementation of improved financial reporting standards in line with the the International Public Sector Accounting Standards. Lastly, the DGCL will oversee the consolidation of the Program’s budget execution report and financial statements. The Program’s financial statements will be prepared on a semester basis by the DGCL, which will appoint a dedicated staff. The financial statements will include the financial execution of each subprogram. Financial execution (actual expenditure incurred) of Subprogram 1 will be collected from the financial officer of each participating municipality and will be based on the integrated financial management system. Financial execution of Subprograms 2 and 3 will be provided by the DGCL at the central level.
4. The assessment of the existing budget execution, accounting, and reporting processes at the level of each entity of the Program is as follows:
5. **DGCL.** Budget execution, accounting, and reporting procedures are in line with the national ones which were assessed as adequate by the 2017 PEFA. The DGCL’s budget lines mainly comprise operating expenditures that do not pose significant execution issues. The budget executions are monitored using the integrated financial management system. Reporting is done from this system and is reflected in the DGCL’s execution report. The accounting standards enforced at the DGCL are based on accrual and largely inspired from the International Public Sector Accounting Standards. The financial report comprises a budget execution report which is produced on a semester basis. The review performed by the World Bank’s financial management team for the last three years underscored the following: (i) the budget commitment/execution ratio is about 95.5 percent, (ii) the payment ratio was about 100 percent of commitments, and (iii) the financial report was produced on time.
6. **Municipalities**
* Budget execution suffers from several insufficiencies mainly resulting from the shortcomings during the planning phase (see planning and budgeting sections). These insufficiencies are complemented by specific issues at the execution phase and pertain to inadequate internal control procedures (figure 4.1) such as the lack of a manual of procedures (including on the procurement aspects) customized for the needs of the municipalities. In practice, these shortcomings translate into an execution ratio, over the last three years, of 58 percent and 80 percent, respectively, for the capital and recurrent expenditures.
* The accounting standards are based on cash and are not in line with the International Public Sector Accounting Standards. It should be noted that the implementation of these standards is a major ongoing reform at the national level led by the TGR. The reform is expected to be customized and deployed at the municipalities in three years.
* The quality of the financial reporting and the timely production (delay of three to six months) are areas of improvement identified in the Casablanca and Agadir PEFA reports and during the analyses of the data collected as part of the fiduciary assessment. Major weaknesses relate to the insufficiencies in the evaluation of the fixed assets and liabilities in the balance sheets.
1. **Procurement processes and procedures. The enforcement of the procurement processes and procedures at the DGCL are adequate**. **However, at the municipality level several areas for improvement were identified.** The PIs on (a) the lead time of the procurement cycle and (b) the appointment of a qualified procurement officer included in the performance assessment framework will incentivize the municipalities to improve the procurement processes and procedures.
2. The main procurement methods are Open National Competitive Bidding (ONCB) and Shopping (purchase orders). The 2017 national PEFA confirms that, on average, more than 80 percent of the country’s contracts are subject to competitive bidding processes. At the local level, the 2017 and 2018 data collected by TGR confirms this trend. The use of single source is limited.

Table 4.2. Breakdown of the Main Procurement Methods at the Local Level

|  |  |  |
| --- | --- | --- |
| **Percentage** | **ONCB** | **Single Source** |
| 2017 | 96 | 4 |
| 2018 | 97 | 3 |

*Source:* TGR’s e-procurement system e-procurement portal.

1. The procurement system relies on the e-procurement portal which improves public access to information, by widely publishing a call for tender, making bidding documents available to all potential bidders, and publishing results of tendering processes. Additional recent features have been included in the e-procurement system: electronic submission of bids and electronic reverse auctions. The procurement portal also includes a supplier database.
2. However, at the municipality level, the effective implementation of the procedures remains an areaof improvement and the use of e-procurement and other innovative procurement approaches (for example, framework contracts) is very limited. About 35 percent of the municipalities experience issues in the procurement procedures, which are not customized to their needs. This affects the percentage of contracts awarded within the service standard, which is another area for improvement (2017: 19 percent and 2018: 17 percent). This is amplified by the limited capacities of the staff dedicated to this task. Indeed, the issue of capacity emerges as the first area of weaknesses in the analysis of data collected on the procurement system (figure 4.1). Subprogram 3 includes TA to strengthen the capacity of these staff. In addition, the appointment of a qualified procurement staff (PI 4.1) and the monitoring of the procurement lead time (PI 2.4) have been included in the list of PIs in the performance assessment framework.
3. **Contract administration. The deployment of the e-procurement system offers an adequate environment to ensure transparency in the contract administration.** In practice, the rollout of the -e-procurement module at the municipality level helped to improve the contract administration.
4. **Treasury management and funds flow. The funds flow from the central to the municipality levels will need to be improved to take into account the performance grant mechanism.** The current monthly transfer from the center to the municipalities is adequate (timely transfer). However, the introduction of the performance grant mechanism may affect the current transfer system. This risk is exacerbated by the performance cycle (data collection on the PIs and MMC, data verification, definition of the grants allocation, and transfer of the grants). To mitigate this risk, a first test of the performance assessment framework is being undertaken as part of the Program preparation. This will be an opportunity to adjust the lead time of the performance cycle with the view to ensure a timely transfer of the grant. This will be complemented by DLI#1 which aims to incentivize the timely transfer of the grants during Program implementation. The risk associated with the delay in the payment of the suppliers by the municipalities will be addressed by the ongoing actions deployed by the TGRto improve the related process (creation of national and local committees in charge of overseeing the payment lead time, digitalization of the processes, and so on).
5. The DGCL and municipalities’ payment lead time ranges between 50 and 80 days. Ongoing efforts are being made by the TGR to reduce this lead time. They include the creation of national and local committees in charge of overseeing the payment lead time and the digitalization of the process. The combined effects of these actions will have a positive impact on the payment of the Program’s activities.
6. The Program funds will be disbursed to the Government’s Treasury Single Account upon the achievement of the DLIs (see DLI verification mechanism). All payments will be made through the centralized Treasury system.
7. **Internal control. Internal control system is adequate at the DGCL but there are weaknesses at the municipalities.** The TA and the performance assessment framework include measures to address these weaknesses.
8. The assessment of the internal control arrangements in effect at the level of each entity of the Program is as follows:
9. **DGCL.**The entity is endowed with an adequate internal control platform (manual of procedures, information management system, segregation of duties between the budget holder and the accountant, culture of results, and risk map). The assessment by the World Bank team of the effectiveness of the current practices and the audit reports of the DGCL did not reveal any significant issue.
10. **Municipalities.** The analyses of the data collected identified internal control as the first area of improvement in the financial management system (figure 4.1). In practice, about half of the participating municipalities experience issues in their internal control environment characterized by inadequate internal control procedures; such as the lack of a manual of procedures and internal control tools (including procurement aspects) customized to their needs, and weaknesses in risk management. Specific issues underscored in the SAI reports include shortcomings in inventory management, existences of payments made against insufficient supporting documents, weaknesses in the collection of taxes and other related revenues, wrong accounting assignment, non-compliance with procurement regulations, absence of risk maps, and lack of tools for monitoring the implementation of the investment projects. This translates into challenges in budget execution. To mitigate this risk, a set of measures will be implemented through the Program as part of the performance assessment framework such as the appointment of qualified fiduciary staff based on agreed terms of reference and the operationalization of an internal audit unit that will imply development of risk maps and enforcement of customized manual procedures. This will be complemented by the training and hands-on support to the municipalities’ staff on financial management and the information management system under Subprogram 3. The performance assessment framework includes an indicator on the implementation of the recommendations from the internal/external audits.
11. **Record keeping and document management systems**. **The systems are adequate at the DGCL, but shortcomings exist at the municipalities.** The field visits confirmed that the procurement documentation is kept in all public entities including municipalities. The procurement documents are managed by three different services: (a) the procurement unit, (b) the accounting unit, and (c) the technical department (for contract supervision and management). However, the archiving and filing system has been identified as an area for improvement,[[6]](#footnote-6) which will be addressed by the deployment of an information management system in Subprogram 3.
12. **Internal audit. The Program’s internal audit system is adequate at the central level, but weak at the municipalities.** The Program will support the operationalization of the internal audit function at the municipality level through compliance with one PI for selected municipalities. The assessment of the internal audit arrangements enforced at the level of each entity of the Program is as follows:
13. **DGCL.** As a directorate of the MoI, the DGCL’s internal audit system is under the responsibility of IGAT. This entity is endowed with 80 auditors and 30 administrative staff. IGAT’s reports are submitted to the MoI. The World Bank assessed the performance of this entity which plays the role an independent verification agent for four PforRs managed by the MoI. The review of these reports confirms the adequate performance of the institution. With the view to improve its performance, IGAT is being supported by the AFD to enforce the risk-based approach. The recent audit report issued by IGAT on the DGCL did not reveal significant issue.
14. **Municipalities.**In practice, the internal audit framework is largely underdeveloped in municipalities. The quantitative and qualitative analyses of the municipalities (figure 4.1) have identified the absence and lack of operational internal audit units, except for Casablanca and Agadir. The performance assessment framework includes an indicator on the operationalization of the internal audit units the municipalities. This is also being supported by a dedicated TA financed by the AFD.
15. **Program governance and anticorruption arrangements. The country governance and anticorruption arrangements (relying on the Office of the Ombudsman, the SAI, IGAT, and IGF) are adequate.** The main risk and fraud and corruption are in the infrastructures to be financed under Subprogram 1. The following entities were found as the most relevant for the Program: (a) Office of the Ombudsman *(Institution du Médiateur*) for administrative complaints, (b) CNCP for procurement complaints*,* (c) SAI, (d) IGAT, and () IGF (see section on external audit) for financial complaints.
16. **The Office of the Ombudsman,** whose mandate is to handle complaints from the citizens, is deployed at the subnational level through regional units complemented by focal points. The Office publishes its report on an annual basis. The 2017 report shows that 67 percent of the complaints came mainly from six regions (Casablanca-Settat, Rabat-Sale-Kenitra, Fes-Meknes, Tanger-Tetouan-Al Hoceima, Oriental, and Marrakech-Safi) covered by the Program. The increase of the complaints logged (18 percent from 2016 to 2017) to the Ombudsman Office confirms the growing confidence of the citizens in the system. About 32 percent of the complaints have been addressed by the Office, 16 percent are being processed, and the remaining 58 percent have been transferred to the relevant administrations.
17. **The CNCP**, whose decree has been approved by the council of the Government in September 2015, has the mandate to handle and manage complaints in procurement and contract execution. The number of complaint cases declared by the CNCP increased after the effective installation of the commission in January 2018 with more than 200 complaints (less than 5 percent of the cases were related to fraud and corruption). They comprise 11 complaints related to the municipalities submitted to the MoI for processing and 3 requests for information processed. The cases were closed within three months. In 2019, as of end of April, five complaints and four requests for information related to the municipalities were received and are being processed. This is a sign of bidders’ confidence in the CNCP about appeal mechanisms and for public entities seeking advice on specific procurement or execution cases. With the CNCP decree becoming effective and its installation, the commission gained more autonomy and independence. However, there is room for improvement for the effective functioning of this commission to transform this entity into a powerful appeal mechanism. This is being addressed by other World Bank instruments (just-in-time TA).
18. **The SAI** is one the most credible institutions in the country which investigates sanctions, budget managers, and public accountants. The 2017 PEFA assessed the institution performance as satisfactory (score B). The entity is decentralized and covers all the regions involved in the Program. On a yearly basis, the SAI issues its reports on investigation in fraud and corruption cases. The last report was issued on April 2019 and included several disciplinary actions against public accountants and budget holders (http://www.courdescomptes.ma/fr/Page-27/publications/rapport-annuel/recueil-des-arrets-rendus-par-la-chambre-de-discipline-budgetaire-et-financiere-au-titre-de-lannee-2018---4eme-edition/1-234/).
19. IGAT also investigates fraud and corruption allegations and issues its reports to the MoI (see internal control section on the performance of IGAT).
20. **The MoI** **will collect—with support from the Ombudsman, CNCP for procurement complaints*,* SAI, IGAT, and IGF—and report to the World Bank allegations occurring under the Program through the annual progress reports during Program implementation.** The reporting format will include the following: (a) location and date of the complaint, (b) allegation’s description, (c) description of progress in investigation, and (d) investigation outcome. The World Bank’s prerogative of administrative inquiry for allegations of fraud and corruption has been clarified to the borrower during Program preparation. In accordance with the World Bank’s Anti-Corruption guidelines for PforR operations, the Program will take steps to ensure that “any person or entity debarred or suspended by the World Bank is not awarded a contract under or otherwise allowed to participate in the Program during the period of such debarment or suspension.” During the procurement processes, each of the implementing entities will verify the names of the contractor against the World Bank’s database[[7]](#footnote-7) of debarred or suspended contractors to ensure that no such contractor is awarded any contract under the Program.
21. **Actions related to fraud and corruption.** The combination of enhanced financial management and procurement systems, improved capacity, increased engagement and demand from citizens, enhanced access to information on local governance, and effective channels for grievance redress are complementary actions to address fraud and corruption. These actions are incorporated in the performance assessment framework.
22. **External auditing. The external auditing arrangements are adequate.** **The IGF is the assigned entity in charge of auditing the GoM programs in line with the country’s external audit arrangements.** TheWorld Bank financial management team carried out a comprehensive assessment of the IGF in 2016, complemented by the 2017 PEFA and annual review[[8]](#footnote-8) of the performance of this entity. The capacity of this institution revealed the following. First, the IGF has built adequate credibility in auditing the GoM’s programs over the last 20 years owing to the quality of the staff.[[9]](#footnote-9) Second, the assessment confirms that the entity adequately implements international auditing standards (risk-based approach, quality assurance process), through a web-based audit software (Blue Audit) that is used by all the auditors to plan, carry out, and report on their missions. More than 95 percent of the annual plan is executed. The deployment of Blue Audit—which includes a module on recommendation monitoring—has increased the IGF’s efficiency. Third, the IGF has a track record in auditing about five PforRs in various sectors including at the subnational level (health, urban transport, Casablanca, agribusiness, and integrated risks). The objectives of these audits were described in the respective terms of reference and were to provide an opinion on the use of the funds. Key issues underscored in the reports related to (a) ineligible expenditures, (b) absence of risk mapping, and (c) delay in the elaboration of the financial reports. Implementation of the recommendations associated with these issues are ongoing and are being monitored as part of the World Bank supervision missions.
23. In addition, to the audit of the IGF, the DGCL and the municipalities are subject to some performance audits by the SAI. In its latest audit report, the SAI highlighted several shortcomings affecting the expenditure and revenue management included in the relevant sections of the fiduciary assessment (among others, insufficiencies in the budget planning/execution, lack of manual of procedures, and so on). In practice, only nearly half (44 percent) of the participating municipalities were audited over the last three years despite article 214 of the Organic Law which requires an annual audit by the IGF and/or IGAT. With the view to strengthen the accountability and transparency at the municipalities, DLI#9 has been included in the Program. Implementation of the recommendations from the audit will be monitored in the performance assessment framework that includes a related PI.
24. The IGF will carry out the financial audits of the Program expenditures, including the expenditures incurred by the DGCL. The audit reports will be carried out based on agreed terms of references and will include the verification of the achievement of the DLIs and the execution of the Program expenditures. The scope of those audits will include an opinion on the procurement system (screening to prevent debarred/suspended firms from being awarded contracts). The audit reports will be submitted no later than nine months after the closure of accounts. In addition, this arrangement is complemented by a performance audit carried out by the SAI equipped with regional courts covering the territory.
25. **Staff capacity. The Program will include a capacity-building plan to strengthen staff in the various entities of the operation.** The assessment of staff capacity both at the DGCL and municipalities, identified the limited capacity of the staff at the decentralized levels as the main impediment that could affect implementation of the Program.
26. **DGCL.** The DGCL is well-staffed with qualified personnel. It has proven experience in implementing a World Bank IPF project. However, to ensure smooth implementation of the Program, a PMU within the DGCL will need to be formed. This PMU will include a fiduciary officer in charge of ensuring cooperation and consolidation of the Program’s financial and procurement information.
27. **Municipalities.** The qualitative and quantitative analysis underscored the limited capacity of the fiduciary staffing (figure 4.1). The Program will include (a) a PI to appoint fiduciary staff based on terms of reference and (b) a capacity-building program aimed at building the skills of all fiduciary staff in municipalities.
28. **Contribution to the PAP.** Table 4.3 details the PAP’s fiduciary actions.

Table 4.3.PAP Fiduciary Actions

| **Entity** | **Risk/Weaknesses** | **Mitigation Action** | **Responsible** | **Type of Action (PAP, TA, DLI)** |
| --- | --- | --- | --- | --- |
| DGCL | The absence of dedicated fiduciary staff to ensure financial cooperation/consolidation of the Program | * Appointment of a dedicated fiduciary staff
 | DGCL | PAP |
| DGCL | Weak quality of the municipalities’ financial statements | * Implement improved accounting standards at the municipalities level
 | DGCL/TGR | PAP |
| Municipalities | Weaknesses in planning, access to financial information, budget execution, public procurement, and accountability. | * Compliance with the performance assessment framework for municipalities to enhance performance focusing on the (a) deployment of an integrated financial management and procurement information system, (b) updated manual of procedures and internal audit unit, (c) publication of core financial and procurement documents, and (d) improvement of key lead time in the procurement processes
* Capacity-building program aimed at building the skills of all fiduciary staff in the municipalities (in partnership with the directorate in charge of training, national institutions, and outsourced institutions)
 | Municipalities | TA/DLIPAP |

1. **Implementation support.** Fiduciary support would include
* Close monitoring of the deployment of the integrated financial management and procurement system (TGR);
* Monitoring implementation progress and working with the World Bank task team to ensure that the achievement of Program results and DLIs are of a fiduciary nature;
* Support to the borrower to resolve implementation issues and carry out institutional capacity building;
* Monitoring the performance of fiduciary systems and audit reports, including the implementation of the PAP; and
* Monitoring changes in fiduciary risks to the Program and, as relevant, compliance with the fiduciary provisions of legal covenants.
1. They include (a) the publication of the municipal core financial documents (financial statements, Procurement Plan, and procurement execution report); (b) update of the programming documents; and (c) revenue management. [↑](#footnote-ref-1)
2. They include indicators related to (a) investment budget execution report, (b) appointment of fiduciary staff, (c) deployment of fiduciary information management systems, (d) operationalization of internal audit units, (e) lead time in the procurement processes, and (f) monitoring of the implementation of the recommendations of the audits. [↑](#footnote-ref-2)
3. Key contracts are under Subprogram 1. The annual expected expenditures for the participating municipalities amount to US$145 million broken down into five categories. The review of each expenditure category per municipality did not reveal any contract above the OPCR’s thresholds (US$75 million for the civil works, US$30 million for the goods, and US$25 million for the consulting). [↑](#footnote-ref-3)
4. About 23 percent are not endowed with planning tools and experienced difficulties in their implementation. [↑](#footnote-ref-4)
5. Civil works: US$75 million, goods: US$50 million, consulting services US$20 million. [↑](#footnote-ref-5)
6. About a third of the participating municipalities are not endowed with an adequate archiving system. [↑](#footnote-ref-6)
7. https:// [www.worldbank.org/debarr](http://www.worldbank.org/debarr). [↑](#footnote-ref-7)
8. Carried out on March 2017 and February 2018. [↑](#footnote-ref-8)
9. About 125 auditors. The recruitment plan includes the integration, on a competitive basis over the three upcoming years, of about 25 new auditors, starting from 2017. [↑](#footnote-ref-9)