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R2016-0261/1

December 22, 2016

<p>Closing Date: Thursday, January 12, 2017 at 6 p.m.</p>
--

FROM: Vice President and Corporate Secretary

Swaziland - Improving Public Sector Performance Project

Project Appraisal Document

Attached is the Project Appraisal Document regarding a proposed loan to Swaziland for an Improving Public Sector Performance Project (R2016-0261), which is being processed on an absence-of-objection basis.

Distribution:

Executive Directors and Alternates
President
Bank Group Senior Management
Vice Presidents, Bank, IFC and MIGA
Directors and Department Heads, Bank, IFC and MIGA

Document of
The World Bank

Report No: PAD1573

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED LOAN

IN THE AMOUNT OF SDR18.25 MILLION
(US\$25.0 MILLION EQUIVALENT)

TO THE

KINGDOM OF SWAZILAND

FOR AN

IMPROVING PUBLIC SECTOR PERFORMANCE PROJECT

December 20, 2016

Governance Global Practice
Africa Region

This document is being made publicly available prior to Board consideration. This does not imply a presumed outcome. This document may be updated following Board consideration and the updated document will be made publicly available in accordance with the Bank's policy on Access to Information.

CURRENCY EQUIVALENTS
(Exchange Rate Effective as of October 31, 2016)

Currency Unit = Swazi Lilangeni (SZL)
SZL 1 = US\$0.0727
SDR1 = US\$1.3698

FISCAL YEAR
April 1 – March 31

ABBREVIATIONS AND ACRONYMS

AFROSAI-e	African Organization of English-speaking Supreme Audit Institutions
AGI	Actionable Governance Indicators
AWP	Annual Work Plan
CCR	Cabinet Committee on Reforms
CIFA	Country Integrated Fiduciary Assessment
CSO	Central Statistics Office
DA	Designated Account
DLI	Disbursement Linked Indicators
DP	Development Partner
e-GP	e-Government Procurement
EU	European Union
FM	Financial Management
GDP	Gross Domestic Product
GRS	Grievance Redress Service
GoS	Government of Swaziland
GTB	Government Tender Board
HR	Human Resource
HRM	Human Resource Management
HRMIS	Human Resource Management Integrated System
IBRD	International Bank for Reconstruction and Development
IC	Individual Consultant
ICB	International Competitive Bidding
ICT	Information and Communication Technology
IDA	International Development Association
IDM	Institute of Development Management
IFMIS	Integrated Financial Management Information System
IFR	Interim Financial Report
IMF	International Monetary Fund
IPF	Investment Project Financing
IT	Information Technology
M&E	Monitoring and Evaluation
MDAs	Ministries, Departments, and Agencies
MEPD	Ministry of Economic Planning and Development
MoF	Ministry of Finance

MoHA	Ministry of Home Affairs
MoPS	Ministry of Public Service
MTR	Midterm Review
NCB	National Competitive Bidding
NDS	National Development Strategy
PAC	Public Accounts Committee
PDO	Project Development Objective
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PIM	Public Investment Management
PIP	Public Investment Program
PMO	Prime Minister's Office
POM	Project Operations Manual
PPCU	Policy and Programme Coordination Unit
PPP	Public-Private Partnership
PSC	Project Steering Committee
PSM	Public Sector Management
PST	Project Support Team
QCBS	Quality- and Cost-Based Selection
RBF	Results-based Financing
SACU	Southern African Customs Union
SAI	Supreme Audit Institution
SBD	Standard Bidding Document
SDG	Sustainable Development Goal
SDI	Swaziland Development Index
SHIES	Swaziland Household Income and Expenditure Survey
SIMPA	Swaziland Institute of Management and Public Administration
SPPRA	Swaziland Public Procurement Regulatory Agency
TA	Technical Assistance
TTL	Task Team Leader
TWG	Technical Working Group
UNISWA	University of Swaziland

<p>Regional Vice President: Makhtar Diop Country Director: Ivan Velez (Acting) Senior Global Practice Director: Deborah L. Wetzel Practice Manager: Hisham Ahmed Waly Task Team Leaders: Barbara Kasura Magezi Ndamira; Yoko Kagawa</p>

SWAZILAND

Improving Public Sector Performance Project

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PAD DATA SHEET*Swaziland**IMPROVING PUBLIC SECTOR PERFORMANCE PROJECT (P152528)***PROJECT APPRAISAL DOCUMENT***AFRICA**GGO27*

Report No.: PAD1573

Basic Information			
Project ID P152528	EA Category C - Not Required	Team Leader(s) Barbara Kasura Magezi Ndamira, Yoko Kagawa	
Lending Instrument Investment Project Financing	Fragile and/or Capacity Constraints []		
	Financial Intermediaries []		
	Series of Projects []		
Project Implementation Start Date 12-Jan-2017	Project Implementation End Date 30-Dec-2021		
Expected Effectiveness Date 01-May-2017	Expected Closing Date 30-Dec-2021		
Joint IFC No			
Practice Manager/Manager Hisham Ahmed Waly	Senior Global Practice Director Deborah L. Wetzel	Country Director Ivan Velez	Regional Vice President Makhtar Diop
Borrower: Ministry of Finance			
Responsible Agency: Prime Minister's Office			
Contact: Telephone No.:	Mbuso C. Dlamini 26876197227	Title: Email:	Secretary of Cabinet kingdomdlamini@gmail.com
Project Financing Data(in US\$, millions)			
[X] Loan	[] IDA Grant	[] Guarantee	
[] Credit	[] Grant	[] Other	
Total Project Cost:	25.00	Total Bank Financing:	25.00
Financing Gap:	0.00		

Financing Source						Amount				
Borrower						0.00				
International Bank for Reconstruction and Development						25.00				
Total						25.00				
Expected Disbursements (in US\$, millions)										
Fiscal Year	2017	2018	2019	2020	2021	2022	0000	0000	0000	0000
Annual	0.20	9.60	8.30	4.10	1.70	1.10	0.00	0.00	0.00	0.00
Cumulative	0.20	9.80	18.10	22.20	23.90	25.00	0.00	0.00	0.00	0.00
Institutional Data										
Practice Area (Lead)										
Governance										
Contributing Practice Areas										
Proposed Development Objective(s)										
The project development objective is to improve public sector performance in selected ministries, departments and agencies through the strengthening of human and public resources management and use of data.										
Components										
Component Name							Cost (US\$, millions)			
Component 1: Improved Human Resource Management and Skills							5.60			
Component 2: Strengthened Public Resource Management, Procurement Performance, and Financial Accountability							10.10			
Component 3: Improved Accountability for Better Service Delivery							9.24			
Systematic Operations Risk- Rating Tool (SORT)										
Risk Category								Rating		
1. Political and Governance								High		
2. Macroeconomic								Substantial		
3. Sector Strategies and Policies								Moderate		
4. Technical Design of Project or Program								Substantial		
5. Institutional Capacity for Implementation and Sustainability								High		
6. Fiduciary								Substantial		
7. Environment and Social								Low		
8. Stakeholders								Substantial		
9. Other								n.a.		
OVERALL								Substantial		

Compliance			
Policy			
Does the project depart from the CAS in content or in other significant respects?	Yes []	No [X]	
Does the project require any waivers of Bank policies?	Yes []	No [X]	
Have these been approved by Bank management?	Yes []	No []	
Is approval for any policy waiver sought from the Board?	Yes []	No [X]	
Does the project meet the Regional criteria for readiness for implementation?	Yes [X]	No []	
Safeguard Policies Triggered by the Project			
	Yes	No	
Environmental Assessment OP/BP 4.01		X	
Natural Habitats OP/BP 4.04		X	
Forests OP/BP 4.36		X	
Pest Management OP 4.09		X	
Physical Cultural Resources OP/BP 4.11		X	
Indigenous Peoples OP/BP 4.10		X	
Involuntary Resettlement OP/BP 4.12		X	
Safety of Dams OP/BP 4.37		X	
Projects on International Waterways OP/BP 7.50		X	
Projects in Disputed Areas OP/BP 7.60		X	
Legal Covenants			
Name	Recurrent	Due Date	Frequency
Appointment of one project accountant to the Project Steering Team under PMO, Schedule 2, Section I, A, 1.		1-Aug-2017	
Description of Covenant			
The Borrower, through its PMO shall select and appoint, not later than ninety (90) days after the Effective Date the project accountant referred to in Schedule 2, Section I, A 1 of the Loan Agreement.			
Name	Recurrent	Due Date	Frequency
Purchase and installation of computerized accounting software for the project, Schedule 2, Section II, B, 4.		1-Sep-2017	
Description of Covenant			
Not later than four months after the Effective Date, the Borrower shall: (a) acquire and install computerized accounting software; and (b) appoint the internal auditors for the Project. Schedule 2, Section II, B, 4 of the Loan Agreement.			
Name	Recurrent	Due Date	Frequency

Appointment of the project internal and external auditors PST/PMO, Schedule 2, Section II, B, 4.		1-Sep-2017		
Description of Covenant				
Not later than four months after the Effective Date, the Borrower shall appoint the internal and external auditors for the Project. Schedule 2, Section II, B, 4. Of the Loan Agreement.				
Conditions				
Source Of Fund	Name	Type		
IBRD	Appointment of the Senior Accountant and Procurement Specialist, Article IV, 4.01, (a).	Effectiveness		
Description of Condition				
The Senior Accountant and Procurement Specialist referred to in Article IV, 4.01, (a) of the Loan Agreement have been appointed by the Borrower.				
Source Of Fund	Name	Type		
IBRD	Adoption of the Project Operations Manual, Article IV, 4.01, (b).	Effectiveness		
Description of Condition				
The Project Operational Manual has been adopted by the Borrower.				
Source Of Fund	Name	Type		
IBRD	Establish the Project Steering Committee and the Cabinet Committee on Reforms,	Effectiveness		
Description of Condition				
The Project Steering Committee and the Cabinet Committee on Reforms referred to in Article IV, 4.01, (c) of the Loan Agreement have been established by the Borrower in a manner satisfactory to the Bank.				
Source Of Fund	Name	Type		
IBRD	Withdrawal Conditions, Schedule 2, Section IV, B, 1.	Disbursement		
Description of Condition				
Notwithstanding the provisions of Part A of the Loan Agreement, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed US\$1,000,000 may be made for payments made prior to this date but on after October 21, 2016 for Eligible Expenditures under Category (1).				
Team Composition				
Bank Staff				
Name	Role	Title	Specialization	Unit
Barbara Kasura Magezi Ndamira	Team Leader (ADM Responsible)	Senior Public Sector Specialist	Public Sector Management/Gov	GGO19
Yoko Kagawa	Team Leader	Senior Operations	Project Management	GGO13

		Officer		
Chitambala John Sikazwe	Procurement Specialist (ADM Responsible)	Senior Procurement Specialist	Procurement - Transport and Water	GGO01
Joao Tinga	Financial Management Specialist	Senior Financial Management Specialist	Financial Management	GGO26
Anders Jensen	Team Member	Senior Monitoring & Evaluation Specialist	Monitoring and Evaluation Systems	GENGE
Dionisio Augusto Nombora	Team Member	Public Sector Specialist	Governance	GGO13
Fernando Gabriel Im	Team Member	Senior Economist	Macroeconomic and Structural Policies	GMF04
Gert Johannes Alwyn Van Der Linde	Team Member	Lead Financial Management Specialist	Financial Management Information Systems	GGO26
Herimpamonjy Mavoarisoa Ranaivoarivelo	Team Member	Operations Analyst	Project Management	GGO13
Jay-Hyung Kim	Team Member	Adviser	Government Expenditure/Public Investment Management	GGO27
Jemima Harlley	Team Member	Program Assistant	Project Management	AFCS1
Kathrin A. Plangemann	Team Member	Lead Public Sector Specialist	Governance	GGO27
Kisa Mfalila	Team Member	Senior Environmental Specialist	Environmental and Social Safeguards	GEN01
Luz Meza-Bartrina	Team Member	Senior Counsel	Legal	LEGLE
Marko Kwaramba	Team Member	Economist	Macroeconomics & Fiscal Management	GMF13
Nathalie S. Munzberg	Safeguards Advisor	Regional Safeguards Adviser	Environmental Safeguards	OPSPF
Nonhlahla Memorial Zindela	Team Member	Senior Operations Officer	Public Sector Management	AFCS1

Patrice Sade	Team Member	Program Assistant	Project Management	GGO13	
Paula F. Lytle	Team Member	Senior Social Development Specialist	Social Analysis	GSU07	
Raymond Muhula	Team Member	Senior Public Sector Specialist	Public Sector Management	GGO15	
Shawkat M.Q. Hasan	Team Member	Senior Procurement Specialist	Procurement	GGO01	
Shiho Nagaki	Team Member	Senior Public Sector Specialist	Public Administration	GGO13	
Victor Sulla	Team Member	Senior Economist	Macroeconomics & Fiscal Management	GPV07	
Extended Team					
Name	Title	Office Phone		Location	
Reynaldo Castro	Consultant	256-41-430-2234			
Locations					
Country	First Administrative Division	Location	Planned	Actual	Comments
Swaziland	Hhohho	Hhohho		✓	

I. STRATEGIC CONTEXT

A. Country Context

1. **Swaziland, a lower-middle-income country, with a gross domestic product (GDP) per capita of US\$3,625, faces a high level of poverty and unemployment.** The country is land-locked and largely mountainous, with 75.8 percent of the total population of 1.1 million living in rural areas. It is geographically and economically linked to South Africa, which accounted for about 80 percent and 65 percent of Swaziland's imports and exports, respectively, in 2015. The economy of Swaziland is diversified and constitutes agriculture, forestry, and mining that account for about 10 percent of GDP; manufacturing (textiles and food processing) representing 30 percent of GDP; and government services constituting about 20 percent of GDP. However, growth has been rather marginal in the last few years and neither equally shared nor pro-poor. An estimated 63 percent of the population lives below the national poverty line and the international extreme poverty (US\$1.9 per day) rate remained as high as 39 percent in 2015. Further, with a Gini coefficient of 49.5 in 2015, inequality is high and has actually increased in rural areas. The country faces high unemployment that is estimated at around 41.7 percent (including discouraged workers) and higher unemployment among the youth (ages 15–24) and females at 56.7 percent and 46.6 percent, respectively.¹

2. **The macroeconomic situation started to decline in 2014, after a short-term recovery from the 2010/11 fiscal crisis.** While the annual GDP growth had been stable at around 3 percent since 2000, it declined by slightly above 1 percent in 2011—rendering Swaziland the slowest in GDP growth among the Southern African Development Community countries. As a member of the Southern African Customs Union (SACU), Swaziland receives a share of the custom and excise revenues collected on imports. After the fiscal crisis in 2010 and 2011, the country faced significant declines in volatile SACU transfers. The gradual recovery in SACU receipts after 2011 contributed to an increased government procyclical spending pattern that translated into an increase in public spending, reaching 32 percent of GDP in 2015 from 23.9 percent in 2011 (see Table 1). However, a slowdown in the South African economy, associated decline in SACU revenues, and persistent drought conditions, which have resulted in poor harvests, are projected to adversely affect the economy again. The 2016 economic growth rate is projected to drop to –0.6 percent (Central Bank projections) and international reserves remain thin at around four months of imports for the rest of 2016.

3. **The fiscal situation is worsening and if fiscal consolidation measures are not taken, the situation is heading toward the 2010/11 fiscal crisis.** The SACU receipts, which accounted for 48 percent of total revenue including grants in FY2014/15, are expected to decline sharply from 13 percent of GDP in FY2015/16 to 9.4 percent and 8.9 percent in FY2016/17 and FY2017/18, respectively. Meanwhile, despite already increasing public spending, including the high wage bill of about 12 percent of GDP (in 2015), since April 2016, the Government of Swaziland (GoS) further increased the salary for civil servants, parliament and cabinet, by 17 percent and 32 percent, respectively, beyond inflation and budgetary provisions. Fiscal deficit that was earlier projected to increase to –13.7 percent of GDP in 2016/17 will be revised upwards because of lower SACU revenues and 2016 wage adjustments. The fiscal balance

¹ Central Statistics Office (CSO) 2016.

turned negative in 2014/15, and continued to deteriorate in 2015/16—comprising 5 percent of GDP. Fiscal challenges are expected to remain in the near to medium term as available resources continue to dwindle while the level of spending is being increased.

Table 1. Swaziland: Selected Fiscal Indicators

Year	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	Actual	Actual	Budget	Budget	Projection	Projection
	In percentage of GDP, unless otherwise indicated					
Revenue including grants	28.3	29.7	27.1	24.5	23.6	22.8
-o/w SACU	15.7	15.1	13.0	9.4	8.9	8.3
-o/w domestic revenue	12.2	13.1	13.4	13.6	13.3	13.2
-o/w grants	0.4	1.6	0.6	1.5	1.4	1.3
Expenditure	27.6	30.8	32.0	38.2	36.9	37.3
-o/w compensation of employees	11.5	11.0	11.5	13.7	13.2	12.4
-o/w capital expenditure	5.2	7.3	7.0	9.7	8.5	8.3
Deficit/surplus	0.7	-1.1	-4.9	-13.7	-13.4	-14.5
Real GDP (%)	4.6	2.7	1.9	-0.6	1.7	3.4
Personnel	11.5	11.0	11.5	13.7	13.2	12.4
Personnel as % of total revenue including grants	40.5	37.1	42.4	56.2	56.2	54.6
Personnel as % of domestic revenue	94.1	84.3	85.6	101.3	99.6	94.5
Personnel as % of total expenditure	41.6	35.9	35.8	36.0	35.8	33.3

Source: Ministry of Finance (MoF) 2016.

4. **Despite high spending in the social sectors, a combination of weak resource management and institutional coordination adversely impact performance and outcomes.** In FY2015/16, the GoS spent about 12 percent of its total budget on health services, but its health sector outcomes have remained modest. The infant mortality rate (98.8 per 1,000 births²) is particularly high compared with other lower-middle-income countries, and HIV prevalence of 27 percent is among the highest in the world. Government spending on education was equally high at 22 percent of the total budget in 2015. Yet, the gross enrollment rate and completion rates remain low compared with regional counterparts.

5. **The GoS has initiated some measures to curb the rising fiscal deficit anticipated from the forthcoming SACU revenue shock.** These measures include rationalizing the wage bill, introducing procurement reforms, and postponing noncritical transfers to state-owned enterprises, in line with the Government Program of Action 2013–2018 that emphasizes the importance of fiscal prudence. The National Development Strategy (NDS) and Vision 2022 (developed in 1997) prioritize macroeconomic stability and economic diversification, boosting strategic infrastructure and unlocking human capacity. Both the 2010 Fiscal Adjustment Roadmap and the 2012 Updated Fiscal Adjustment Roadmap focus on macroeconomic stability, through improving public financial management (PFM) and the investment climate to stimulate private sector growth and place great emphasis on reducing the size of the large public sector wage bill, which has not been adequately addressed. The major challenge remains that of

² CSO 2015 data.

matching Vision 2022 with prudent fiscal management policies amid dwindling resources and selected high-value expenditures.³

6. **Engagement with citizens in the development process remains limited.** The country operates with parliamentary and traditional monarchy systems concurrently, and these appear to be in conflict with each other. According to the World Governance Indicators, Swaziland has consistently over the last five years performed lower than the South African region on voice and accountability and government effectiveness, and scored 27.6 (out of 100 and lower than overall Africa average) in the Mo Ibrahim Index on participation and human rights. The limited role of civil society organizations and citizens to participate in the political scene and public policies is one of the causes for lack of transparency and accountability of the Government and impacts negatively on policy implementation. Further, trade unions and civil society organizations have become critical of this suppression of political pluralism and often express discontent through public demonstrations. According to the 2015 Ibrahim Index of African Governance, Swaziland scored 49.6 (out of 100) in overall governance, ranking 28 (out of 54) in Africa and lower than the regional average for Southern Africa. The overall governance improvement (+0.7) since 2011, though a marginal increase, signifies the Government's commitment to governance issues such as reduction of corruption. Because the improvement in governance is minimal, it is important to engage citizens in the cause of better service delivery.

B. Sectoral and Institutional Context

7. **The public sector in Swaziland faces three main constraints for providing efficient public services in a challenging economic environment.** First, growing public spending, especially the wage bill, points to weaknesses in human resource management (HRM), including management of the payroll. The second challenge relates to weak public financial and procurement management systems and practices, which adversely affect the effective use of public financial resources (including both recurrent and capital investment expenditures). The third challenge is the limited capacity of the Government for policy planning, implementation, and monitoring and evaluation (M&E) of development results, which affects effective decision making and inhibits government actions for needed policies and legislation that would provide an authorizing environment for key reforms. Examples include the PFM bill and the HRM Policy. These key enabling legislations now await passage by the upper house of parliament and ascent by the King. The procurement law that passed in Parliament in 2011 lacks the accompanying regulations to become effective.

An oversized public service and wage bill are major challenges in public resources management

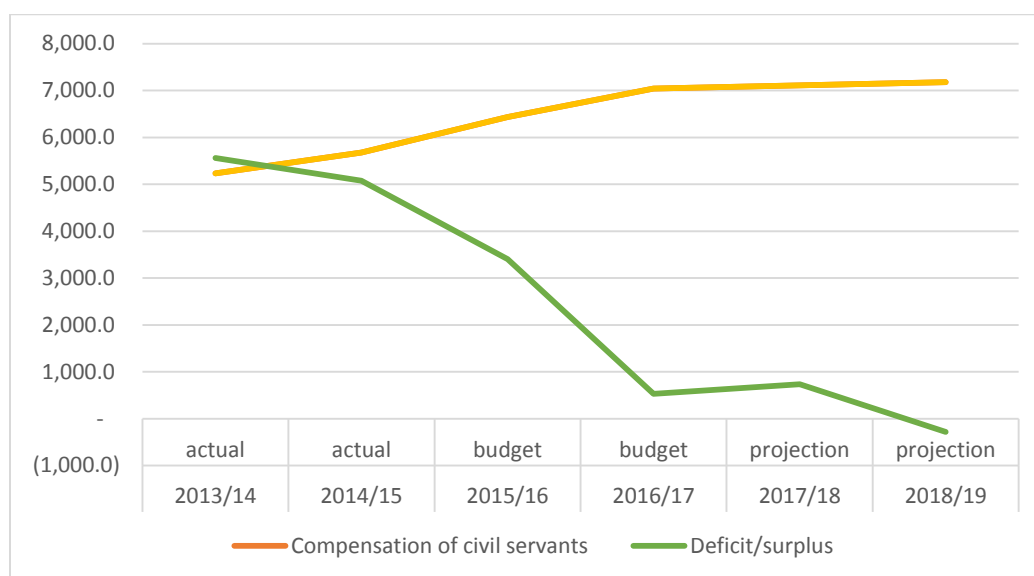
8. **With about 41,000 employees (or 22 percent of total employment),⁴ the public sector is the largest employer in Swaziland and its wage bill is one of the highest in Africa.** The size of the public sector and the wage bill has been growing over the last five years (Figure 1). The total wage bill in 2016/17 accounts for about 14 percent of GDP. The social (education and

³ The Government has spent close to US\$250 million on a new airport in preparation for hosting the South African Development Community regional summit. In addition, the new salary increases, though long overdue, have put an extra burden on the Medium-Term Expenditure Framework.

⁴ Labor Force Survey 2010.

health) and defense sectors, together, account for nearly 50 percent of the wage bill. Between 2007/08 and 2015/16, the education wage bill grew by about 106 percent, accounting for 38 percent of the total wage bill. The growth of the wage bill is the result of uncontrolled hiring and weak establishment and payroll controls. This is exacerbated by the slow growth in the economy, making the public sector the fallback employer for citizens. The July 2016 wage bill adjustment⁵ will increase overall budget deficit as the average salary increase of 17 percent for all civil servants and 32 percent for parliamentarians was not fully budgeted for.

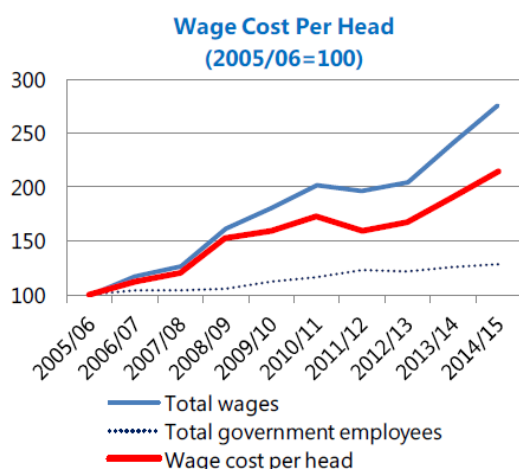
Figure 1. Growing Civil Servants Salaries/Increasing Deficit over the Last Five years



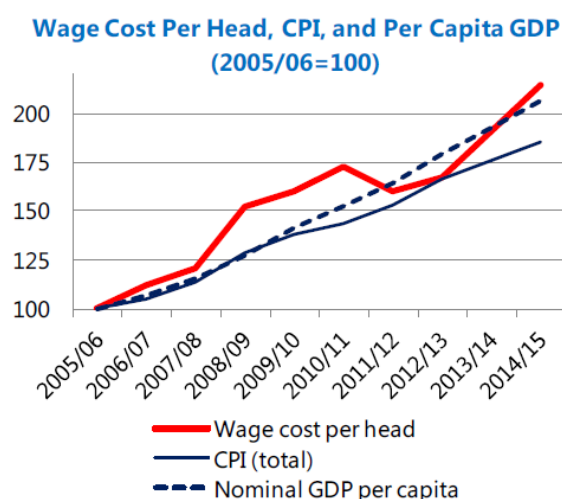
Source: Kingdom of Swaziland MoF data and staff calculations: March 2016.

Figure 2. Development of Wages for Swaziland Government Employees

Government wages keep growing fast, driven by increase in per head wage...



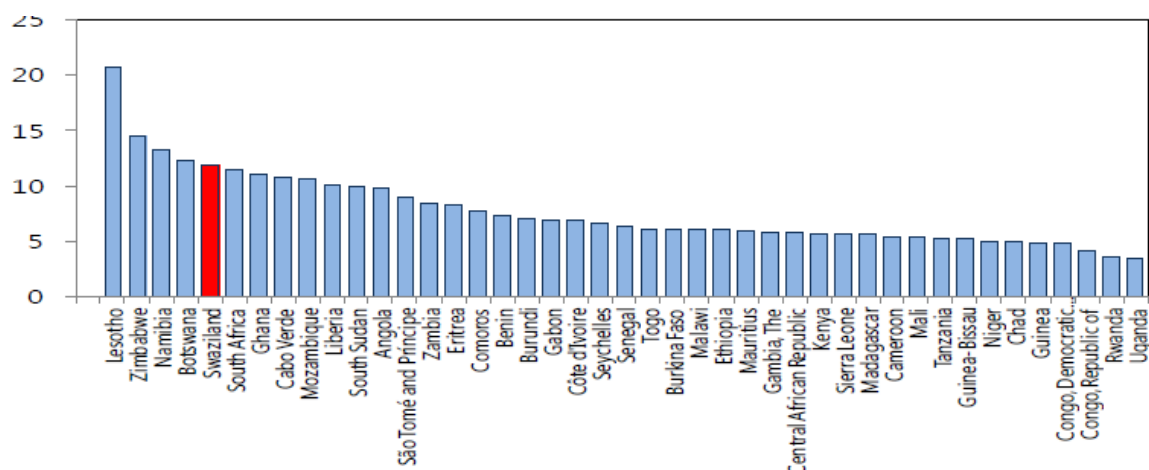
...which have grown faster than inflation and nominal GDP per capita.



⁵ Civil servants' salary increase ranged from 2 percent for the highest paid civil servant to 46 percent for the lowest paid. Increases only affected the basic salary, and implementation of new salaries was backdated to April 2016.

Source: International Monetary Fund (IMF) - Kingdom of Swaziland Staff Report for the 2015 Article IV Consultation: November 2015.

Figure 3. Compensation of Employees of Sub-Saharan Africa Countries (percent of GDP, average of 2012–2014)



Source: Country authorities and IMF staff estimates: November 2015.

9. **Weak HRM coupled with a lack of a clear HRM policy has affected the efficient management of staff in the public sector.** A lack of clear guidance for human resource (HR) planning, performance management, and payroll controls and the ineffective HR information management capacities and system have led to the bloated public service and uncontrolled wage bill management today. The current Human Resource Management Integrated System (HRMIS), running on legacy technology (Adabas), was developed in 1994 and has only been used for a limited number of functions and modules since its installation. A Public Service Payroll and Skills Audit (June 2015) identified 4,510 ghost employees out of 37,027 public employees targeted for verification and enumeration.⁶ Further, only 32.2 percent of the targeted public service employees had the right HR information that could facilitate a clear skills audit. Weak establishment controls have created an environment in which inclusion of invalid HR files on the payroll has been consistently found leading to abuse of wage payments. The nonexistent HR planning, incomplete HR records, and unclear procedures affect career development and deployment of staff and lead to high vacancy rates in some ministries, departments, and agencies (MDAs) and overstaffing in others. Further, the absence of an effective performance management system limits the ability to track employee output and enforce accountability for results. The situation is exacerbated by lack of appreciation and limited rollout of the new automated performance management.

10. **Inefficient HRM is also partially because of a complex institutional arrangement and control mechanism in which responsibilities are divided among different institutions.** The Civil Service Commission under the Ministry of Public Service (MOPS) is a five-member body responsible for recruitment, promotion, and disciplinary cases in the civil service. The MOPS is responsible for leading the development of HR policies and guidelines and overall HRM, while the Teachers Service Commission and the Judicial Service Commission oversee the recruitment, promotion, and management of teachers and judicial officers and magistrates,

⁶ GoS, MoPS: Public Service Payroll and Skills Audit Report, June 2015.

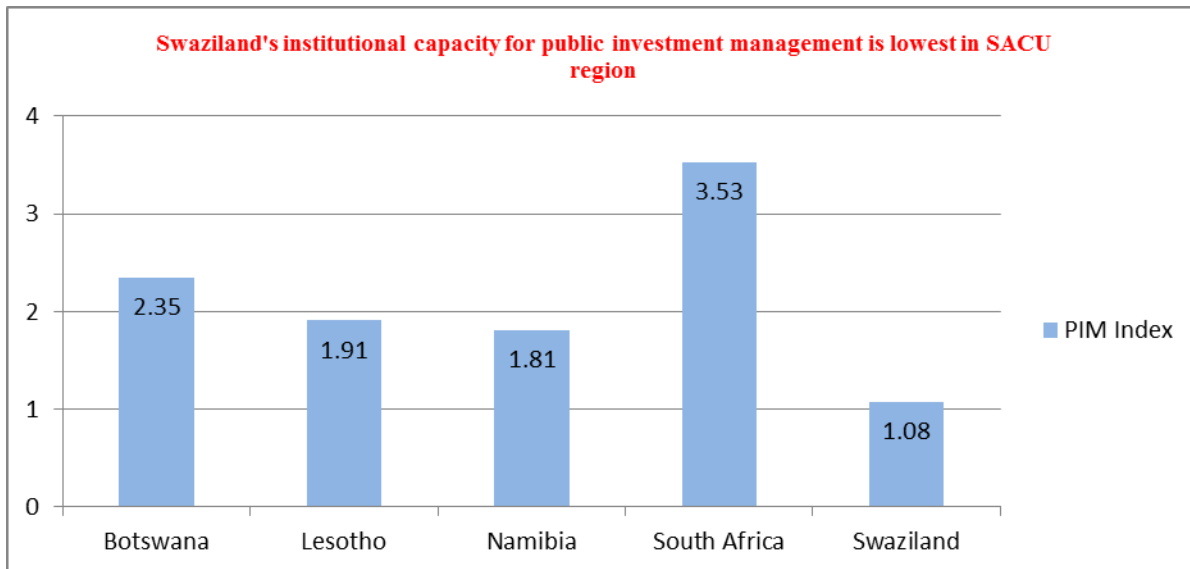
respectively. The MoPS, working with the MoF, manages payroll and pension processing and the payments process. This institutional arrangement is stipulated in the Employment Act of 1980 (as amended in 1985 and 1998) and the Wages Act of 1964—governing HRM of all government employees. These divided institutional structures make it difficult to effectively address a number of constraints related to management and performance of the public sector.

Inefficient use of public financial resources needs to be improved to regain fiscal control

11. Inefficient use of public financial resources results from systemic weaknesses in the PFM system. The Country Integrated Fiduciary Assessment (CIFA), published in 2011, concluded that “the PFM system in Swaziland has yet to achieve levels of good practice that will ensure fiscal discipline, strategic allocation of resources, efficient, economical, and effective service delivery and accountability.” Most PFM indicators continue to lag in basic levels of good performance. There remain key risks in the PFM system that require urgent further mitigation (a) over expenditure due to poor discipline in expenditure controls; (b) high levels of expenditure arrears due to lack of full implementation of a commitment system; (c) weak accountability arrangements due to inadequate capacity in financial reporting, internal audit, auditor general and the Public Accounts Committee (PAC); (d) weak payroll systems; and (e) fiscal shortfalls as there is no appropriate fiscal planning framework and ineffective tax institutions.

12. Additional challenges exist in the GoS’s capacity for the use of a limited capital budget for public investment. These include (a) inadequate prioritization and monitoring of capital projects in line with the national development priorities and (b) a low rate of implementation of the GoS’s capital program, which (in a number of cases) has led to an escalation of project costs and implementation delays. While capital expenditures account for about 20 percent of total public expenditure, the actual investment component within capital expenditure has, nonetheless, averaged 11 percent over the past decade. This is because nearly half of the capital budget is spent on recurrent activities and not on actual investment. Much of the investment spending during 2004/05–2013/14 was in three sectors: transport, housing, and water—revealing that capital spending priority for the past 10 years has focused more on buildings (both operative/office and residential), road construction, and investments in infrastructure for improvement of water services, with little investment recorded in agriculture (mainly earth dams) and electricity (that are priorities in the NDS). Overall execution of capital budgets has, on average, performed at 71 percent during 2003/04 to 2013/14, with the lowest execution rate in the health sector (41 percent). The low execution rate is because of structural, organizational, procedural, and functional weaknesses. The GoS is exploring the use of Public-Private Partnerships (PPPs) for infrastructure projects as a way of supplementing the low fiscal space. However, existing PPP policy and regulations are weak and miss important guidelines for PPP fiscal management.

Figure 4. Comparative Table: Institutional Capacity for Public Investment Management (PIM) in SACU Region



Source: World Bank Actionable Governance Indicators (AGI) Data (2010).

13. **The risks associated with the weaknesses in financial controls and an incomplete regulatory environment have been exacerbated by the lack of a robust and transparent procurement system.** In a challenging fiscal situation, the GoS has been making efforts to strengthen the procurement management function for major spending ministries, starting with initial institutional capacity-building activities and implementation of the legal framework.⁷ A draft regulation that conforms to the 2011 Act has been developed with the assistance of the United Nations Development Programme. However, the key regulatory institutions such as the Government Tender Board (GTB) and the Swaziland Public Procurement Regulatory Agency (SPPRA) lack qualified staff and do not have adequate information technology (IT) tools to facilitate their operations but, instead, manually operate the systems. Compliance with procurement reporting formats, as well as the accuracy of the information, is questionable. Procurement data are not readily available at the GTB, MoF, SPPRA, or the ministry level, thus making monitoring and regulation problematic. The private sector has low confidence in the transparency and integrity of the current public procurement system. Conflict of interest is, reportedly, prevalent, as some public servants act as suppliers to the Government, in violation of the Procurement Act of 2011. At the sectoral level, there has been selected support from several development partners (DPs) to strengthen the procurement function, but this is yet to yield the desired results. Staff capacity, procurement planning, and contract management remain weak and unrelated to sector strategic plans, annual work plans (AWPs), and budgets. Efficiency of public procurement in the current fiscal environment is cardinal. A coherent and structured reform approach across sectors will be required to improve efficiency in the procurement system.

⁷ The 2008 Procurement Regulations (still in force) and the Public Procurement Act of 2011 that came into effect in 2013; the establishment of the Technical Secretariat and GTB at the MoF and the setting up of the SPPRA.

Evidence-based policy decision making and M&E of the development outcomes are keys for growth and poverty reduction

14. **Lack of regular and reliable statistics undermines effective decision making, monitoring of development outcomes, and accountability for results.** The 1967 Statistics Act sets out the mandate of the Central Statistics Office (CSO) as a department of the Ministry of Economic Planning and Development (MEPD). The CSO does not have the capacity to support the collection of timely and quality data needed for the efficient M&E. Social and economic statistics are not regularly available for effective monitoring of Sustainable Development Goals (SDGs) and the poverty situation. The World Bank estimates Swaziland's statistical capacity indicator⁸ for 2014 as 60 (out of 100)—well below the average for lower-middle-income countries.

15. **Enhanced evidence-based policy making through enhanced statistics also requires a strengthening of M&E systems, tools, and capacities.** Weak policy planning and implementation have been exacerbated by weak monitoring practices. Fragmentation of government M&E efforts and unclear responsibilities between the MoF, the MEPD, and the Policy and Programme Coordination Unit (PPCU) in the Prime Minister's Office (PMO) have led to both duplication and gaps in monitoring. Existing monitoring tools are basic in substance and often manual in format. The evaluation function is nascent, with initial efforts in education and health sectors. The accountability systems and culture, both internal within the administration or external from parliament and civil society, have yet to be further developed. As a result, the uptake of M&E findings for policy making has been limited. This has resulted in poor reporting on development outcomes across sectors while undermining accountability and transparency. The need to develop a framework, systems, tools, and capacities has become more urgent. Building on the Program of Action 2013–2018, the PPCU, in collaboration with the MEPD and the MoF, has now begun to develop a more systematic M&E function across the GoS. Given the challenges, the need for a gradual approach to lay the foundations for a government wide M&E system has been recognized. The PPCU has started to review performance target reports for MDAs to enhance the efficiency and effectiveness of the GoS's spending over time, but both the PPCU and other institutions require greater strengthening to be able to effectively manage the M&E functions.

16. **While the GoS has a national strategy and a number of sectoral policies guiding its development program in place, implementation capacity is weak, and thus, service delivery has been poor.** The impact of poor quality services affects both citizens and potential investors alike. The Doing Business Report (2016) ranks Swaziland 105 out of 189 countries in the overall ease of doing business, largely because of the poor quality and slow turnaround times of government services to potential investors. Similarly, services to citizens—for example, in health and education—have not helped improve conditions of the estimated 63 percent of the population living below the poverty line. This challenges the GoS to rethink its service delivery model, strengthen capacities, and identify ways to innovate and implement citizen-engagement

⁸ The statistical capacity indicator country dashboards provide individual country scores for the overall statistical capacity indicator average as well as for the three categories, that is, Methodology, Source Data, and Periodicity. For comparison reasons, the dashboards also provide respective average scores for IDA/IBRD countries as well as the regional scores.

strategies that contribute to a positive cycle of service-citizen feedback-improvements by the public service.

17. **In response to these challenges, the GoS has made efforts to improve financial management (FM) and public sector performance, but with mixed success.** To reduce the wage bill, the Government introduced the Voluntary Early Retirement Scheme in 2005 and an Alternative Service Delivery Program in 2010. However, the results of these programs have been limited. These efforts are now complemented by the implementation of the recommendations of the Payroll and Skills Audit of June 2015 that aim at identifying and removing duplicate records and ghost employees while ensuring effective staff deployment. The GoS has also embarked on a new reform agenda—Business Process Reengineering—geared toward improving public sector performance. In the context of Vision 2022 and the narrowing fiscal space, the GoS has now prioritized the development of a solid M&E system to track progress. Following the adoption of a new M&E strategy, there are greater collaborative efforts for effective implementation of government policies and strategies between the MoF, MEPD, and PPCU. The PPCU has developed a system of performance target tracking for all ministries on the basis of quarterly reports, with results being presented to the cabinet. The design and implementation of the system requires further changes to be effective. The GoS has developed and piloted a new performance management system to track staff outputs and capacity needs and strengthen accountability for results.

18. **The World Bank and other DPs have supported the GoS's efforts to strengthen PFM.** In response to the CIFA, the European Union (EU), African Development Bank, United States Assistance for International Development, IMF, and the World Bank supported, during 2012, the development of a PFM Action Plan, which is currently under implementation. The African Development Bank has provided a technical PFM adviser to the GoS, and the IMF has assisted with the drafting of a new PFM bill. The GoS is also currently receiving technical assistance (TA) on cash management from the IMF African Technical Assistance Center South. In September 2015, the World Bank completed the implementation of an Externally Financed Output (US\$225,000, funded by the U.S. Department of State) to build the capacity of the Swaziland Internal Audit Department, but an Audit Committee (as primary governance structure) and risk management practices have yet to be introduced. In terms of the agreed division of responsibilities to support the PFM Action Plan, the proposed project will complement the World Bank's support for the implementation of the new Integrated Financial Management Information System (IFMIS; through an EU-funded World Bank and Recipient-Executed Trust Fund: the Swaziland IFMIS Technical Assistance Project).

19. **In order to further improve public sector performance, a comprehensive and integrated approach to push forward the overarching public sector reforms is deemed necessary during the time of fiscal constraints that the country now faces.** Instead of a "big-bang" reform in one specific area, the approach needs to be more incremental and opportunistic, thus requiring small but indispensable steps to be taken in a widespread number of key areas of the public sector. A reform approach, encompassing upstream core ministries and central agencies, and downstream bodies, including sector ministries, may seem overly ambitious; however, in a small state like Swaziland, if coordination mechanisms function well, a holistic reform approach could be synergistic—small steps complementing each other to become a solid foundation of public sector reforms leading to the country conceived in Vision 2022.

C. Higher Level Objectives to which the Project Contributes

20. **The proposed project will contribute to the World Bank Group's twin goals as well as the key priorities in the Country Partnership Strategy⁹, FY2015/18 through strengthening public resources management to improve public service performance.** Institutional weaknesses and the inefficient management and inequitable distribution of resources undermine the effective use of resources to deliver quality public services to the poorest population who are most in need. Additionally, limited growth since 2011 has resulted in a marginal impact on poverty reduction and an increase in inequality. The Country Partnership Strategy prioritizes two program pillars (a) promoting growth and job creation and (b) strengthening state capabilities to design, implement, and monitor policies to reduce poverty and inequality. Through strengthening human and financial resources management and M&E for development outcomes by involving citizens, this project is a direct response to second pillar under which the World Bank Group will provide support in the areas of governance, economic management, and social services delivery.

II. PROJECT DEVELOPMENT OBJECTIVES

A. PDO

21. The project development objective (PDO) is to improve public sector performance in selected ministries, departments, and agencies through the strengthening of human and public resources management and use of data.

Project Beneficiaries

21. **The project beneficiaries will be the key central ministries and agencies leading public sector reform in the GoS.** As the implementers of the horizontal (upstream) reforms, the MoPS for HRM; the MoF, MEPD, SPPRA for public resource management; and the CSO, PPCU and Ministry of Home Affairs (MoHA) for the national M&E and civic and migrations services will benefit from the project. The project aims at strengthening these institutions with an emphasis on Information Technology (IT) investments and training to carry out necessary reforms. For sustaining the project's effects, capacity building will engage the national institutions such as Swaziland Institute of Management and Public Administration (SIMPA), which provides training and policy research for the entire government under the guidance of the MoPS, the Institute of Development Management (IDM), and University of Swaziland (UNISWA). As the project will address the broad public sector reform agenda, the PMO will be coordinating the project's implementation. To this end, the project will support the capacity building for the PMO — not only for project management but also for implementation of overall public service reforms. Improvement of HR, public resource management, and M&E will be deepened vertically (downstream) in the selected three ministries, namely the Ministries of Education, Health, and Public Works and Transport. These three ministries have been selected because they have a high number of civil servants as well as use of public resources, and they provide critical basic public services.

⁹ World Bank. 2014. Swaziland - Country Partnership Strategy FY2015-2018 (Report number 89210). Discussed by the Executive Directors on November 20, 2014

22. **Although the direct beneficiaries of the project are the aforementioned MDAs, the ultimate beneficiaries are the citizens of Swaziland.** Improved public sector performance will contribute to improving service delivery. The MoHA, as a beneficiary of the project, will lead in service delivery innovations with a feedback loop from citizens. The project beneficiaries will also include civil society organizations, which will enhance citizen participation and monitoring of the performance of public service.

PDO-Level Results Indicators

23. The following are the PDO-level results indicators:

- **PDO Indicator 1:** Public servants presenting all required documents for skills audit (percent)
- **PDO Indicator 2:** Capital budget execution rate in selected ministries (percent)
- **PDO Indicator 3:** Price savings in contracts for select goods and services (percent)
- **PDO Indicator 4:** Effective monitoring of expenditure arrears
- **PDO Indicator 5:** Regular and timely publication of Swaziland Household Income and Expenditure Survey (SHIES)

III. PROJECT DESCRIPTION

A. Project Components

24. The modality for project implementation will consist of TA in the form of knowledge sharing on best practices as well capacity building and the introduction of IT systems to enhance operations. In line with the Government's Program of Action 2013–2018, the project will focus on interventions related to HR and FM to contribute to prudent fiscal management. The project will also support the GoS in developing a better M&E system, with stronger statistical capacity and policy coordination, to inform and expedite the achievement of Vision 2022. The project consists of the following three components:

Component 1: Improved Human Resource Management and Skills (US\$5.60 million)

25. **The objective of this component is to strengthen the HRM function and capacities to improve the abilities of civil servants in delivering public services.**

Subcomponent 1.1 - Strengthened Human Resource Management (US\$2.10 million)

26. This subcomponent focuses on the policy and institutional strengthening for effective HRM. The GoS has embarked on developing a new HR policy to make HRM more efficient and effective. The Government has also started eliminating the anomalies identified by the Public Service Payroll and Skills Audit (June 2015). This subcomponent will support the (a) finalization of HR policy and an assessment of the HRMIS for the entire Government; (b) development and upgrade of an efficient HRMIS; (c) strengthening of establishment controls; and (d) review of

essential HRD functions, training, and capacity-building policy and rollout of the performance-based management system.

Subcomponent 1.2 - Strengthened Skills and Knowledge for Public Administration (US\$3.50 million)

27. This subcomponent focuses on capacity-building programs to improve and maintain core skills required for civil servants. The subcomponent will support an assessment of SIMPA to examine its organizational structure and current function in relation to the training needs for the entire Public Administration of Swaziland. This will be followed by a capacity-building program for the institute. Together with IDM and UNISWA, SIMPA will (a) undertake a training needs assessment of the Government MDAs focusing on generic and cross-cutting leadership and management development skills; (b) conduct training for the MDAs arising out of the training needs assessment; and (c) support specific training programs envisaged by the project under the Ministry of Public Works, the Auditor General's Office, the MOF, the SPPRA, and the CSO.

Component 2: Strengthened Public Resource Management, Procurement Performance, and Financial Accountability (US\$10.10 million)

28. The objective of this component is twofold: first, to improve the management of public resources by supporting capacity building for PFM in conjunction with the IFMIS implementation and reforms for PIM and second, to improve financial accountability by strengthening procurement and oversight functions.

Subcomponent 2.1 - Strengthened Public Resource Management (US\$2.60 million)

2.1.1 Improved PFM Capacity

29. Under this subcomponent, the project will support PFM capacity building. The main activities will include (a) development of capacity-building programs focusing on weaknesses to be identified by a Public Expenditure and Financial Accountability Framework (PEFA) assessment; these programs will also factor in the implementation of the new IFMIS and behavioral changes to align with the new PFM law; (b) delivery of the capacity-building program, including through national institutions SIMPA, IDM, and UNISWA; (c) reengineering of the function and structure of the Accountant General's office in lieu of the implementation of IFMIS and International Public Sector Accounting Standards.

2.1.2 Improved PIM

30. This subcomponent will support improved PIM processes and strengthen the Government's PPP program. The main activities will include (a) conducting a PIM diagnostic and development of PIM guidelines for effective policies, processes, and systems and related capacity-building activities; (b) development of a Public Investment Program (PIP), as an inventory or project database containing projects that have been duly appraised and whose economic returns have been thoroughly analyzed; and (c) conducting a PPP diagnostic in the context of PIM, upgrading the existing PPP policy note as a guidance for PPP policies, processes, and systems and supporting related capacity-building activities.

Subcomponent 2.2 - Strengthened Transparency and Integrity of the Procurement and Oversight Functions (US\$7.50 million)

2.2.1 Strengthened Public Procurement

31. This subcomponent aims at increasing transparency and integrity of the procurement system through development of an e-Government procurement (e-GP) system and the professionalization of procurement staff. Activities include (a) strengthening the regulatory capacity of the SPPRA and the authorization and quality assurance function of the GTB, including through the implementation of an e-GP system; (b) establishment of procurement cadre and professionalization of public procurement functions; (c) strengthening the procurement planning, processing, and contracting function in the selected ministries; and (d) developing training materials for public procurement with a sustainable delivery in cooperation with national institutions, including SIMPA, IDM, and UNISWA.

2.2.2. Strengthened Oversight Functions

32. This subcomponent will support improved risk management, internal audit, and oversight. The main activities will include (a) development and implementation of a risk management framework and system, including setting up an Audit Committee and capacity building (in close collaboration with the EU) to implement an internal audit framework consistent with the international standards for the professional practice of internal auditing; (b) completion of an African Organization of English-speaking Supreme Audit Institutions (AFROSAI-e) capability maturity assessment of the Office of the Auditor General (Supreme Audit Institution, [SAI]) and the development and implementation of a sustainable capacity-building plan; (c) support to the SAI in the automation of their audit approach and processes; and (d) strengthening the oversight function exercised by the PAC, through a capacity assessment and implementation of a sustainable capacity-building plan.

Component 3: Improved Accountability for Better Service Delivery (US\$9.24 million)

33. The objective of this component is to enhance mechanisms for assessing achievement of results in service delivery, facilitate innovations in services that affect majority of citizens and provide strategic project implementation support.

Subcomponent 3.1 - Evidence-based Policy Making and Coordination (US\$5.10 million)

34. This subcomponent will address three areas (a) improving policy planning, coordination, and implementation; (b) strengthening M&E functions for better planning, budgeting, and long-term projections for national development; and (c) strengthening statistical capacity for the monitoring of SDG indicators, poverty and welfare, social assistance programs, labor market, and service delivery outcomes.

3.1.1 Strengthened Policy Planning, Coordination, and Implementation

35. This subcomponent will support enhancing capacity of the PPCU in the PMO that is in charge of monitoring policy development, planning, analysis, inter-ministerial coordination, and evaluation of policy implementation. The project will (a) support functional review of the

Cabinet Secretariat and the PPCU to identify both capacity and structural gaps that undermine their ability to coordinate government policy planning, formulation, and implementation; (b) build capacity of the PPCU to undertake its mandate; and (c) build capacity of the policy and planning units in the three selected institutions. Support will be provided on the basis of an incremental approach, starting with development and introduction of key policy development and monitoring tools. Tailor-made capacity strengthening and change management will accompany these efforts and will also proceed incrementally, aligned with client needs and capacities.

3.1.2 M&E for Service Delivery

36. This subcomponent will lay the foundations for an effective government wide M&E system, coordinated by the MEPD. The project will provide support to (a) strengthen the design and implementation of the M&E framework and its institutional architecture to inform the M&E policy; (b) strengthening of M&E functions, systems, and tools in pilot ministries at the policy, program, and project levels; (c) design and implementation of basic participatory M&E tools for use by citizens, civil society, and the private sector; (d) capacity strengthening and change management, risk management and communications, and the design of an M&E incentives framework, aligned with the current political context and technical capacities on the ground.

3.1.3 Strengthened Statistical Capacities

37. This subcomponent will support the CSO to regularly produce reliable, quality statistics and will provide support to design and conduct two SHIES for the next five years, focusing on best-practice examples of survey design and implementation and securing detailed baseline information on demographic, poverty, social protection, labor market, health, education, and labor market indicators. The project will further support a capacity-building program of CSO staff and the data-sharing platform needed to enhance and sustain statistics production for capacity building and management.

Subcomponent 3.2 - Service Delivery Innovation and Citizen Engagement (US\$2.30 million)

38. This subcomponent will support a mechanism to foster citizens' feedback to improve public service delivery. The subcomponent will focus on key service delivery in the Ministries of Health, Education, Public Works and Transport, and Home Affairs. Additionally, the project will provide support to the MoHA to improve civic and immigration services and to operationalize one-stop service-delivery center and immigration border posts. Under this subcomponent, the project will support (a) implementation of citizen dialogue processes under Government Smart Partnership Program focusing on three selected ministries and the MoHA; (b) organizational review of the MoHA focusing on civic and immigration services; (c) operationalization of services at five border posts and five one-stop service centers; and (d) feedback mechanism of service users through customer satisfaction surveys.

Subcomponent 3.3 - Strategic Implementation Support (US\$1.84 million)

39. The PMO being the project implementation lead to ensure oversight of the GoS's actions and the coordination of those actions with government stakeholders, this subcomponent will provide strategic implementation support to facilitate management and coordination. The

component will finance (a) a Project Support Team (PST) to coordinate the implementing ministries and agencies and ensure a coherent approach to public sector performance improvement and (b) development and implementation of the overall public service reform and communication strategy at a strategic level to strengthen concerted and coherent reform within the GoS.

B. Project Cost and Financing

40. **The proposed project is an Investment Project Financing (IPF) operation financed by a US\$25 million International Bank for Reconstruction and Development (IBRD) loan over a five-year period.** After considering other financing modalities—such as results-based financing (RBF), an IPF is suggested as the most appropriate instrument to address the GoS’s needs through advisory and TA. Inclusion of disbursement linked indicators (DLIs) was considered; however, the Government decided to forego this approach because a consensus was not reached within the GoS about the benefits of such an approach.

Table 2. Project Cost and Financing

Project Components	Project Cost (US\$, millions)	IBRD Financing	% Financing
1. Improved Human Resource Management and Skills	5.60	5.60	100
2. Strengthened Public Resources Management, Procurement Performance, and Financial Accountability	10.10	10.10	100
3. Improved Accountability for Better Service Delivery	9.24	9.24	100
4. Front End Fee	0.06	0.06	100
5. Total Project Costs	25.00	25.00	100
Total Financing Required	25.00	25.00	100

C. Lessons Learned and Reflected in the Project Design

41. **The proposed project design considers and reflects the evolving knowledge of designing and implementing projects in small states with weak capacity and fiscal challenges, and integrates the recommendations of relevant World Bank reviews.** Important guidance for project design includes (a) focusing on fundamentals in necessary reform areas in line with the country context and administrative capacity; (b) understanding the political economy of the country or project context; (c) developing flexible implementation arrangements, depending on political economy; and (d) considering the appropriate time frame to implement the project. Consequently, the project design is focused on key public sector reforms and has built-in measures to anticipate implementation challenges, including structures that facilitate regular communication on project progress.

42. **Government ownership and commitment is critical to projects for public sector reform.** Cognizant of this, the proposed project prioritized the GoS’s commitment and ownership as a key to promoting the project’s readiness and success. The task team has engaged in constant dialogue with the highest leadership, including a presentation on the project to the parliament and technical groups, and modified the design in response to both the changing needs and priorities of Swaziland. Additionally, the project is closely aligned with the GoS’s strategic

direction and priorities as identified in the PFM Action Plan (2012), the National Development Plan (2014–2017), and the Program of Action (2013–2018).

43. **Public sector reforms are often incremental and require room for experimentation and constant adaptation.** Therefore, project design should not adhere rigidly to the ‘best practice’ but rather adopt a ‘diagnostic’ approach to adjust the project to the evolving nature of public sector reforms. Diagnostic approaches, such as those enabled by the PEFA, allow the project to undertake a functional review of public sector performance and avoid bias toward best-practice norms. The design of this project is based on diagnostic analysis, including the IMF Country Report (December 2015), Public Service Payroll Audit (2015), and CIFA (2011). The project maintains flexibility to adapt to emerging needs based on the diagnostics such as the PEFA to be conducted on a regular basis during implementation.

44. **Public sector reforms go beyond formal institutional arrangements and bring about changes in actual behavior and functioning of MDAs within the public sector.** These reforms are often thought of as changes to the formal institutional and managerial arrangements in the center of Government and in sector agencies (such as new civil service laws or budgetary procedures). While these are indeed relevant reforms, they are a modest part of the total endeavor. Beyond changes to formal arrangements, public sector reform is about changing the de facto behavior and functioning of agents within the public sector. Therefore, the project addresses an underlying need to deal with capacity development by putting in place systematic training programs. The training programs will be developed and disseminated by national institutions, for example, SIMPA.

45. **A success factor for public sector reforms will be the creation of an enabling environment at the center of Government, within which the sector agencies can work effectively.** To improve public services that matter to citizens, the reforms carried out by upstream core ministries and central agencies should facilitate operations in downstream sector agencies, such as education or health. To establish a strong linkage between upstream and downstream reforms, the project includes three ministries—Health, Education, and Public Works and Transport—as beneficiaries.

46. **Experiences in other public sector reform projects indicate a strong correlation between results and close implementation support and monitoring of the project.** Conducting mandatory supervision missions twice a year may not be sufficient in a capacity-constrained environment and should be augmented by frequent dialogue and communication with the project’s counterparts, utilizing IT tools (videoconferencing, audio, and so on). Furthermore, the proposed field presence of the World Bank staff in the country will help strengthen policy dialogues with counterparts and facilitate more frequent hands-on support. Annex 4 proposes such implementation support arrangements.

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

47. **The project implementation will be led by the PMO.** Under the guidance of the secretary to the cabinet, the PMO will provide stewardship for the project and will work closely

with a Project Steering Committee (PSC), comprising principal secretaries of the implementing agencies and ministries. The project supports key reforms that will require continuous engagement at the highest level for political support. To ensure that this is achieved, a cabinet committee on reforms (CCR) has been created comprising the ministers of Finance, Economic Planning and Development, Public Service, Health, Education, Public Works and Transport, and Home Affairs. The CCR and PSC have been approved by cabinet and shall be in place prior to project effectiveness. Day-to-day implementation of the project will be done by a PST to be recruited under the PMO.

48. **The implementation arrangements for the project consist of three levels:** (a) the CCR to provide for regular engagement at the highest political level and ensure that the project is closely aligned with the overall public sector modernization reform agenda; (b) the PSC to oversee and manage the project implementation; and (c) the Technical Working Group (TWG), consisting of staff that will lead implementation of activities in each intervention area and for each agency and ministry. The project will be supported by a six-staff PST¹⁰ to be set up within the PMO under the oversight of the Secretary to the Cabinet. The PST will be in charge of the day-to-day implementation of the activities and handle FM, procurement, and M&E. The roles, responsibilities, inter-relationships, and accountability of the steering committees, the PSC and PST, will be defined in more detail in the Project Operations Manual (POM), in addition to other arrangements described in Annex 3. The POM acceptable in form and substance to the World Bank will be prepared and adopted by government prior to effectiveness. The summary below outlines the core elements of the implementation arrangements:

- (a) **CCR.** The CCR will be the highest-level body mandated to provide strategic directions, exercise oversight, and resolve any contentious issues that might arise in the course of project implementation. The CCR will ensure intergovernmental coordination and commitment to all reforms, including public sector reforms, for the achievement of the NDS. The CCR will be convened at least twice a year under the chairmanship of the deputy prime minister.
- (b) **PSC.** This committee will be chaired by the secretary to the cabinet and its membership includes principal secretaries of the Ministries of Public Service, Education, Health, Public Works and Transport, Finance, Economic Planning and Development, the MOHA, as well as heads of the SPPRA and SIMPA. It will meet at least every quarter with the purpose of monitoring project implementation to ensure it is aligned with the undergoing reform processes and providing necessary support for the reforms.
- (c) **TWG.** Each of the beneficiary MDAs will designate a component leader (a senior civil servant to be appointed by the respective MDA) who will act as the focal point responsible for leading project activities in their ministry, department, or agency. Each component leader will lead a group of technical specialists responsible for the implementation of project activities. Component leaders will (i) provide input for the preparation of the AWP; (ii) facilitate the development of terms of reference and

¹⁰ The PST will consist of project manager, FM specialist, procurement specialist, M&E specialist, change management specialist, and a program officer.

technical specifications; (iii) guide and supervise the work of consultants; and (iv) monitor implementation progress, including procurement and disbursements, on a regular basis.

- (d) **PST.** The PST will be housed in the PMO under the supervision of the Directorate of Transformation and Innovation, and it will be responsible for coordinating project implementation by working closely with ministries, and other project stakeholders. In particular, it will provide fiduciary and project management and reporting support.

B. Results Monitoring and Evaluation

49. **Progress toward the PDO will be monitored through PDO- and intermediate-level results indicators (as detailed in Annex 1).** These indicators have been retained at a reasonable number and are directly linked to component activities, as articulated in the project design. The M&E function under PST and the designated M&E officer will coordinate soliciting and deriving primary data and information to report on project progress—as outlined in Annex 1.

50. **While the PSC will oversee the progress of project implementation through review and discussion of quarterly reports, the PST will produce semiannual progress reports, which will be subject to review by the World Bank and the PSC.** To incorporate and present evidence for the progress reports, the PST will compile progress on PDO indicators and intermediate outcome indicators in cooperation with the relevant implementing ministries and agencies. Further, on an annual basis, the PST will compile reports from citizen satisfaction surveys, to be presented during the Smart Partnership forums.

51. **A regular (for example, annual) independent review will assess implementation progress of PFM and public sector management (PSM) reforms and submit reports to the cabinet committee.**

C. Sustainability

52. **The project is designed to build solid capacity and systems and improve longer-term PSM.** It reflects the strategic areas of the NDS (1997–2022), currently under revision. Additionally, it draws from subsequent strategic documents such as the Poverty Reduction Strategy Action Plan (2008), the PFM Action Plan (2012), the National Development Plan (2014–2017), and the Program of Action (2013–2018). More important, it is designed to facilitate the Government’s renewed focus on improved public sector performance through the Business Process Reengineering Initiative in the PMO. Further, the project draws on the payroll monitoring report that has been adopted by the cabinet. High levels of ownership—together with a basic but realistic approach used to develop capacity and systems and improve the management process—are expected to create a strong foundation from which public sector reform efforts can be continued and scaled up.

V. KEY RISKS AND LOAN CONDITIONS

A. Overall Risk Rating and Explanation of Key Risks

53. **The overall project risk is rated Substantial, owing to several country-related and project-specific risks.** The nature of these risks and the mitigation measures are described here:

- **Political and governance.** Swaziland has enjoyed a relatively stable government; yet the implementation of government initiatives depends on high-level political commitment, and there is a risk of vested interests and corruption. Further, the patrimonial and clientelism tendencies of a monarchy can undermine accountability mechanisms. The project mitigates this risk by engaging the CCR—comprising ministers of all MDAs involved in project implementation — and the PMO to ensure continuous engagement and support from the political leadership.
- **Macroeconomic.** Lack of clear commitment to control government spending presents a substantial risk. While the Government has repeatedly emphasized its commitment to public sector reforms and has embarked on key public sector reforms to enhance the management of public resources, some recent policy decisions have raised concerns. In particular, the recent 17 percent and 32 percent increase in civil servants and parliamentarians and cabinet salaries, respectively, has put a massive additional burden on the budget. The project will help the Government rationalize the discussion about public sector wages and bring potential salary increases into the relevant (economic and social) context. This aims at strengthening informed and financially sustainable political decision making.
- **Technical design of project.** Complexity of the proposed reforms, size of the project, and limited quest for accountability in the GoS present a challenge. Added to this challenge is the delay in approving key legislation that would provide the authorizing environment for the proposed reforms and the introduction of multiple IT systems (HRMIS, e-Procurement, and IFMIS) in a low-capacity environment. The project will use an incremental approach to implement the proposed reforms, focusing on a few agencies and starting with diagnostics. A step-by-step approach will be applied to ensure that the basic elements are solidly in place before moving on to more complex reforms. This will be complemented by intense hand-holding and change-management interventions. Concerning the interoperability of different IT systems that the project will support and the IT capacity of the GoS, the team will continue to work with the head of the entire government computer system to be part of the country's e-Government reforms.
- **Institutional capacity.** The PMO has no previous experience working with the World Bank, and mechanisms for donor collaboration are still evolving. Unfamiliarity with the World Bank's operational procedures, coupled with weak, institutional capacity, could lead to implementation delays. Mitigation measures for this include (a) institutional review of the PMO and PPCU to re-affirm mandates and capacity building interventions at the start of project and throughout project period; (b) hiring of external consultants to establish the PST to support the PMO; (c) the

reassessment of capacities of the lead implementing ministries' agencies as part of the midterm review (MTR); and (d) a joint review, with the EU, to monitor and evaluate the progress of PFM reform as part of the EU-financed World Bank project support of IFMIS implementation.

- **Fiduciary capacity.** The risk stems from a relative lack of transparency and accountability in government programs. This will be mitigated by publicizing clearly the project's objectives and its accountability structure at launch, with the aim of facilitating public scrutiny of delivery. The World Bank will also play an active role in supporting implementation, including ensuring adherence to the World Bank procurement and FM procedures.
- **Stakeholders.** Coordination among the stakeholders and their potential resistance for critical reform can be considered as substantial risks. Reforms can pose a political collective action problem, such as the delays in ratification of the project by parliament. The project will pay particular attention to change management to generate coordination within the Government and to establish a results-focused mindset among key stakeholders. In addition, because of the horizontal and vertical nature of project activities that involve both central and line ministries, implementation arrangements were carefully examined and constructed to be anchored in the PMO which provides convening power and an adequate authorizing environment to establish intergovernmental collaboration at various levels.

VI. APPRAISAL SUMMARY

A. Economic Analysis

54. **The project is expected to yield tangible benefits.** However, it is difficult to quantify in monetary terms some of the project components (such as Component 2: Strengthened Public Resource Management, Procurement Performance, and Financial Accountability). Nevertheless, the World Bank's recent experience¹¹ with similar investments in public sector performance improvement interventions has shown positive results. The World Bank's value added is in bringing technical input and expertise based on these international experience that will help mitigate the challenges currently experienced in Swaziland's public sector. For example, efficient, transparent, and accountable fiscal management contributes to economic growth and poverty reduction. Improved statistical capacity and policy planning and coordination yield substantial, positive outcomes. The timely collection/compilation of data generates positive social, economic benefits and enables greater access to data on planning and economic policy making. The timely collection of data helps Government, or the general population, in the planning and decision-making process.

55. **Attributable monetary benefits will be observed from the strengthened HR and procurement management subcomponents.** An economic analysis using net present value

¹¹Recent examples include Cameroon: Transparency and Accountability Capacity Development Project (P084160); Madagascar: Second Governance and Institutional Development Project (P103950); Chad: Public Financial Management Capacity Building Project (P090265); Cambodia: Public Financial Management and Accountability Project (P087945); and Timor-Leste: Planning and Financial Management Capacity Building Program (P092484).

shows that the project will yield positive benefits through strengthening procurement and HR management. The benefits from improved HR management include the savings associated with reducing the over staffing and stopping those benefiting erroneously from housing allowances,¹² as found in the 2014/15 Payroll and Skills Audit Report. The benefits to be accrued from strengthening the procurement function in the Government include associated savings from administrative efficiency and the resultant competitive bidding process, and revenue from an e-GP system involving bidder's registration and the sale of bidding documents. In terms of monetary benefits, there will be, on average, government savings of US\$32.7 million over the project period of five years. Over a five-year period, both components (HR and procurement) will yield a positive net present value of US\$30.5 million, US\$24.3 million, and US\$19.5 million at discount rates of about 10, 15, and 20 percent, respectively.

56. Using fiscal analysis and focusing only on HR management and correcting the anomalies associated with over-establishment, results in fiscal savings ranging from 0.2 percent of GDP to 0.6 percent of GDP.¹³ The 2014/15 Payroll and Skills Audit indicates about 20 percent discrepancies between the required staff and existing workers. The fiscal savings, as a percentage of GDP, are arrived at assuming different scenarios, ranging from 30 percent to 20 percent and 10 percent reductions in the anomalies in the payroll (Table 4 shows the benefits). By correcting all of the anomalies on the establishment register, the fiscal savings created is about US\$58 million over the project's five-year period. These benefits incorporate payroll cost savings associated with the elimination of ghost workers.

Table 3. Fiscal Savings from Correcting Establishment Anomalies

	Scenario 1	Scenario 2	Scenario 3
	30%	20%	10%
Number of irregular employees	2,277	1,518	759
Fiscal savings as % of GDP	0.6	0.4	0.2
Monetary benefits (US\$, millions)	17.4	11.6	5.8

Source: MoF and World Bank Staff estimates.

57. The World Bank's involvement in public sector financing provides the Government with the much needed resources and TA in a period of scarcity and service delivery concerns. The GoS and World Bank agreed that the IPF that provides hands-on support through TA, is more appropriate at this stage.

B. Technical

58. The proposed project is technically viable and incorporates a number of lessons from the World Bank experience around the world in improving PFM and performance management reforms (for example, a well-sequenced and prioritized approach and demand-side interventions to strengthen accountability). The design of the project takes into account the limited capacity in government and proposes that each reform activity be underpinned by capacity building interventions. These will be delivered by the local training institution –SIMPA in collaboration with IDM and UNISWA. The capacity of the PMO will be built to ensure sustainability of the

¹² The Payroll and Skills audit report showed a total of 809 staff were receiving housing allowance erroneously as they were already living on government-owned residential premises.

¹³ This is taking the conservative estimates that average salary is SZL 9,000 per month.

project—not only for project management, but also for the strategic level of policy formulation and coordination. Further, the design of the project emphasizes the importance of diagnostics to inform the reform processes, and provide real time evidence so that political appreciation and buy-in of necessary reforms is assured.

59. **The technical merits** of the project design have been examined by World Bank staff over the course of project preparation and are considered sound and in line with international standards.

C. Financial Management

60. **The PST, to be established under the PMO, will have overall fiduciary responsibility for implementation of this proposed project.** The senior project accountant, reporting to the PST coordinator and supported by an accountant, will have overall responsibility for project FM matters. The appointment of the senior project accountant will be a condition of effectiveness and the project accountant will be recruited within three months after the project effective date. The participating MDAs (MoF, CSO, SPPRA, MoHA, and MoPS) will appoint accountants to handle the project funds to be transferred to them. The project funds, expenditures, and resources will be accounted for using a computerized accounting software and the basis of accounting will be Financial Reporting under Cash Basis.

61. **The proposed project will make use of reimbursement, advances, and direct payments. To facilitate the implementation of project activities,** the PST under the PMO will establish and maintain a segregated designated account (DA) in U.S. dollars at the Central Bank of Swaziland under terms and conditions acceptable to IBRD. The PST would also open a project account denominated in the local currency to facilitate payment of eligible expenditure incurred in emalangen. For activities to be implemented by the Swaziland Cabinet Office, MoF, SPPRA, MoHA, and MoPS, funds will be transferred from the project account to separate subaccounts in emalangen for payments of respective expenditures to be incurred by these entities.

62. **The PST will prepare quarterly unaudited interim financial reports (IFRs) and provide such reports to the World Bank within 45 days of the end of each calendar quarter.** The project financial statements will be audited annually and the audit report will be submitted to the World Bank no later than six months after the end of each financial year. The overall conclusion of the FM assessment is that the project's FM arrangements have an overall residual FM risk rating of Substantial. The borrower should therefore take appropriate actions to ensure that the agreed FM action planned is implemented satisfactorily within the established deadlines.

D. Procurement

63. **All procurement to be financed under the project will be carried out in accordance with the World Bank's 'Guidelines: Procurement of Goods, Works, and Non Consulting Services under IBRD Loans and International Development Association (IDA) Credits and Grants by World Bank Borrowers', dated January 2011, revised in July 2014; 'Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers', dated January 2011, revised in July 2014; and the provisions**

stipulated in the Legal Agreement. The project will carry out implementation in accordance with the ‘Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD and IDA and Grants’, dated October 15, 2006, and revised in January 2011 (the Anti-Corruption Guidelines). For International Competitive Bidding (ICB) and National Competitive Bidding (NCB), all procurement of goods, works, and non-consultant services will be done using the World Bank’s Standard Bidding Documents (SBDs). All consultant selection undertaken for firms will be done using the World Bank’s Standard Requests for Proposals.

64. **A procurement capacity assessment of the Accounts Unit under the PMO was carried out in accordance with the World Bank’s Operational Policy 11.00.** The Accounts Unit under the PMO is tasked with both procurement and FM. The key procurement issues identified are (a) the need for the PMO to separate procurement from the accounting function and (b) limited capacity of the PMO and project staff to ensure adherence to the World Bank Procurement and Consultant Guidelines.

65. **Proposed corrective measures to mitigate the overall risks include the following** (a) the PMO to hire a dedicated Procurement Officer; (b) training of PMO and project staff in the World Bank Procurement and Consultant Selection Methods and Procedures and development of a Procurement Manual; and (c) selected contracts to be subject to prior review. An acceptable Procurement Plan covering the first 18 months of the project is to be prepared.

E. Social (including Safeguards)

66. **The project is expected to have a positive social impact on the population because of its public sector capacity-building focus.** With the assistance of the Smart Partnership Unit under the PMO, consultations will be carried out with concerned stakeholders and civil society in the areas supported by the project. Implementation and assessment of relevant activities will be based on a participative process that will ensure that concerned individuals are able to express their views.

F. Environment (including Safeguards)

67. **Not applicable.** As this is purely a TA project in the area of PFM reforms, it does not have any environmental safeguard issues or trigger the World Bank’s environmental safeguard policies.

VII. WORLD BANK GRIEVANCE REDRESS

68. **Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB’s Grievance Redress Service (GRS).** The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB’s independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank’s attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank’s corporate Grievance Redress Service (GRS), please visit

<http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

Annex 1: Results Framework and Monitoring

Country: Swaziland

Project Name: IMPROVING PUBLIC SECTOR PERFORMANCE PROJECT (P152528)

Results Framework

Project Development Objectives

PDO Statement

The project development objective is to improve public sector performance in selected ministries, departments, and agencies through the strengthening of human and public resources management and use of data.

These results are at | Project Level

Project Development Objective Indicators

Indicator Name	Baseline	Cumulative Target Values					
		YR1	YR2	YR3	YR4	YR5	End Target
Public servants presenting all required documents for skills audit (Percent)	32.30	34.00	40.00	45.00	50.00	55.00	55.00
Capital budget execution rate in selected ministries (Percent)		60.00	62.00	67.00	70.00	75.00	75.00
Capital budget execution rate, MoH (Percent - Sub-Type: Supplemental)	57.00	60.00	62.00	67.00	70.00	75.00	75.00
Capital budget execution rate, MoE (Percent - Sub-Type: Supplemental)	56.00	60.00	62.00	67.00	70.00	75.00	75.00
Capital budget execution rate,	59.00	60.00	65.00	67.00	70.00	75.00	75.00

MoPWT (Percent - Sub-Type: Supplemental)							
Price savings in contracts for select goods and services (Percent)	0.00	0.00	0.00	1.00	5.00	10.00	10.00
Data on the stock and composition of expenditure arrears is generated quarterly within eight weeks of the end of each quarter (Yes/No)	No No reliable data on stock of expenditure arrears	No	No	No	No	Yes	Yes
Regular and timely publication of SHIES (Text)	None	None	Survey conducted	SHIES published in a timely manner	Survey conducted	SHIES published in a timely manner	Survey conducted and SHIES published

Intermediate Results Indicators

Indicator Name	Baseline	Cumulative Target Values					
		YR1	YR2	YR3	YR4	YR5	End Target
HR Policy adopted and implemented (Yes/No)	No	No <i>HR Policy prepared</i>	No <i>HR Policy Adopted</i>	No <i>HR Policy Disseminated</i>	No <i>HR Policy Under implementation</i>	Yes	Yes
Participating ministries with completed annual cycle of the performance appraisal process for civil servants (Number)	3.00	3.00	4.00	4.00	5.00	6.00	6.00
Staff enrolled in PFM capacity- building program (Number)	0.00	0.00	50.00	100.00	150.00	200.00	200.00
Staff enrolled in PFM capacity- building program of which female. (Number)	0.00	0.00	10.00	30.00	60.00	100.00	100.00

The total cost and physical progress of major projects are monitored and information on implementation of projects is published annually (Yes/No)	None	Adoption of the information system through the issuance of a circular to electronically report and monitor investment projects		Rollout of PIM tracking system for timely reporting of physical and financial progress		Implementation of PIM tracking system for timely reporting of physical and financial progress	Implementation of PIM tracking system for timely reporting of physical and financial progress
Annual Procurement Performance Report prepared and disseminated by e-Procurement (Text)	None	Done manually	Done manually	Done by e-Procurement	Done by e-Procurement	Done by e-Procurement	Done by e-Procurement
Risk-based Internal Audit reports reviewed by the Audit Committee (Number)	0.00	0.00	0.00	4.00	6.00	8.00	8.00
Average rate at which targets in MDAs' annual plans are achieved (Percentage)	63	63	67	70	75	80	80
Number of ministries using M&E tools for decision-making purposes and publishing M&E findings (Number)	0.00	0.00	2.00	4.00	6.00	8.00	8.00
Citizens' satisfaction with the improvement of service delivery of selected ministries as a result of their input (Percent)	Not Available	Baseline established	Dialogue in four regions	Improvements by the selected ministries	Report based on regional dialogue produced	75	75

Indicator Description

Project Development Objective Indicators				
Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data Collection
Public servants qualified for skills audit	The number of public servants who with the requisite skills for their jobs and submit all required proof for academic and professional qualifications for skills audit divided by the entire public servants	Annually	Performance Reports	MoPS
Capital budget execution rate in selected ministries	Actual development expenditure divided by original budgeted development expenditure as a percentage for the selected Ministries.	Annually	MOF budget performance reports.	MoF, MoH, MoE, MoPWT
Capital budget execution rate, MOH	Actual development expenditure divided by original budgeted development expenditure as a percentage for the MOH	Annually	MOF budget performance reports for MOH	MoH
Capital budget execution rate, MOE	Actual development expenditure divided by original budgeted development expenditure as a percentage for the MOE	Annually	MOF budget performance reports for MOE	MoE
Capital budget execution rate, MOPWT	Actual development expenditure divided by original budgeted development expenditure as a percentage for the MOPWT	Annually	MOF budget performance reports for MOPWT	MoPWT
Price savings in contracts for select goods and services	This indicator will measure increased efficiency and competition in the procurement process on agreed services and goods and sources include Technical Secretariat and Accountant Generals Office	Annually	SPPRA Monitoring Reports	SPPRA
Data on the stock and composition of expenditure arrears is generated quarterly within eight weeks of the end of each quarter	This indicator measures whether there is regular data on the stock of arrears, assist in managing systemic problems in this regard.	October 2019	Accounting data, based on PEFA Indicator PI-22	M&E function of PST

Regular and timely publication of SHIES	SHIES statistical publication done every two years following agreed timeline	Every two years	SHIES	CSO
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Intermediate Results Indicators

Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data Collection
HR Policy adopted and implemented	This indicator measures the Government commitment to put in place the right policy environment for HRM envisioned in the HR Policy, which has been prepared but not been finalized.	Annual	PPCU performance reports	MoPS & PPCU
Participating ministries with completed annual cycle of the performance appraisal process for civil servants	Number of ministries where performance appraisal process has been implemented	Quarterly	Performance reports	MoPS
Staff enrolled in PFM capacity-building program	This indicator measures the number of staff enrolled for PFM capacity-building courses	Annually	Enrollment records	M&E function of PST
Staff enrolled in PFM capacity –building program of which female are.	This indicator measures the number of female staff enrolled for PFM capacity building courses.	Annually	Enrollment records	M&E function of PST
The total cost and physical progress of major projects are monitored and information on implementation of projects is published annually	The total cost and physical progress of major projects are monitored and information on implementation of projects is published annually	Annually	Performance reports	MEPD
Annual Procurement Performance Report prepared and disseminated by e-Procurement	The report will be based on agreed Procurement Performance Monitoring Indicators.	Annually	SPPRA Annual Procurement Performance Report	SPPRA
Risk-based Internal Audit reports reviewed by the Audit Committee	This indicator measures the operationalization of the Audit Committee and risk management in selected ministries	Annually	Minutes of Audit Committee meetings	M&E function of PST
Average rate at which MDA annual plans are achieved	This indicator measures the effectiveness of MDAs in implementing policies and plans	Annually	PPCU annual assessment reports	PPCU

Number of ministries using M&E tools for decision-making purposes and publishing M&E findings	The indicator measures the use of M&E tools in the ministries to assess existing M&E practices, the publication of M&E findings to assess the transparency of the M&E system, and the use of M&E findings for decision making to assess the utilization rate.	Semiannually	Biannual assessment reports	PPCU
Citizens' satisfaction with the improvement of service delivery of selected ministries as a result of their input	This indicator measures citizen engagement.	Annually	Minutes of Dialogues	PST

Note: MOH = Ministry of Health; MOE = Ministry of Education; MOPWT = Ministry of Public Works and Transport.

Annex 2: Detailed Project Description

Swaziland: Improving Public Sector Performance Project

Component 1: Improved Human Resource Management and Skills (US\$5.6 million)

1. The objective of this component is to strengthen the HRM function and capacities to improve the abilities of civil servants in delivering public services.

Subcomponent 1.1 - Strengthened Human Resource Management (US\$2.1 million)

2. This subcomponent focuses on policy and institutional strengthening for effective HRM. The GoS has embarked on developing a new HR policy to make HRM more efficient and effective. The Government has also started eliminating the anomalies identified by the Public Service Payroll and Skills Audit (June 2015). However, the current policies and operating systems make strong HR management and payroll controls difficult. The current HRMIS is not synchronized with the payroll. The system lacks important controls as shown by the high number of staff duplications and unidentified staff unearthed by the Public Service Payroll and Skills Audit of 2015. While the establishment list is well determined, there are weaknesses in establishment control. Recruitment and career management do not seem to be based on the establishment list, and the HRMIS does not capture and link the established positions with the actual staff position. The project will support strengthening of establishment controls, the review and design of an efficient HRMIS, and improvement of the HR management process. This subcomponent will start with the finalization of the HR policy and an assessment of the HRMIS for the entire Government. Then, the component will support development and installation of an efficient HRMIS, review of essential HRM functions and controls in the three selected ministries, and rollout of the performance-based management.

- (a) Provide TA to the MoPS to finalize the HR policy.
- (b) Conduct diagnostic for the HRMIS and mapping of all the business processes, controls (including reconciliations), roles, and responsibilities required to maintain a reliable HRMIS.
- (c) Reengineer business process and upgrade the HRMIS.
- (d) Reconcile and integrate the establishment register, personnel, and payroll data and create a single integrated database in the HRMIS. This will be complemented by:
 - (i) conducting semiannual sample payroll audits to determine compliance with establishment register, update personnel records, and report deficiencies; and
 - (ii) implementation of the data corrections and other key recommendations from the payroll audits.
- (e) Roll out performance management starting with the three selected ministries. This should include preparation of evaluation forms, training of HR staff to administer

evaluations, and training of management on conducting performance evaluations and staff outreach.

- (f) Develop training policy and strategy for in-service training.
- (g) Establish the executive cadre of civil servants aimed at preparing senior management level civil servants for leadership positions in the public sector.

Subcomponent 1.2 - Strengthened Skills and Knowledge for Public Administration (US\$3.5 million)

3. This subcomponent focuses on capacity-building programs to improve and maintain core skills required for civil servants. The Government completed a skills audit in June 2015 and has embarked on implementing the recommendations of the report. The subcomponent will support an assessment of SIMPA to examine its organizational structure and current function in relation to the training needs for the entire Public Administration of Swaziland. Together with UNISWA and IDM, SIMPA will collaborate with the Ministry of Public Works, the Auditor General's Office, the MOF, the SPPRA), and the CSO to develop and conduct specific training courses of the needs that will be envisaged by the project.

- (a) Conduct a training and capacity needs assessment for the public service and implement training for selected MDAs.
- (b) Support an assessment of SIMPA (infrastructure, accommodation, staffing, curricula, instructional approaches, management and HR systems, and financing). Findings will inform support interventions (for example, strengthen and expand the capacity of in-service training facilities to increase production of current and new cadres to meet service delivery requirements; review and support updating of existing and development of new in-service training curricula; and develop capacity of senior management and, in particular, the proposed executive cadre).
- (c) Develop in-service training programs for the executive cadre and support the development and delivery of appropriate training materials and modules.
- (d) Support the development and functioning of coordination mechanisms for in-service training.

Component 2: Strengthened Public Resource Management, Procurement Performance, and Financial Accountability (US\$10.10 million)

4. The objective of this component is twofold: the first objective is to improve the management of public resources by supporting capacity building for PFM in conjunction with the IFMIS implementation and reforms for PIM. The second objective is to improve financial accountability by strengthening procurement and oversight functions.

Subcomponent 2.1 - Strengthened Public Resource Management (US\$2.60 million)

2.1.1 Improved PFM Capacity

5. Under this activity, the project will support PFM capacity building. The GoS has taken a decision to implement a new IFMIS. Funding has been provided in the METF covering the period FY2017 through to FY2019, for a total amount of about US\$6.5 million for the project. In support of this, the EU has committed to provide about US\$4.6 million (EUR 4.22 million) to be granted through a World Bank and Recipient-executed trust fund by the World Bank. Implementation of a new IFMIS without addressing key functional PFM capacity gaps (and the oversight functions through Subcomponent 2.2) will not yield the expected benefits. Main activities to be supported under this subcomponent include the following:

- (a) Assessment of the GoS PFM skills requirement for implementation of a good level of practice throughout the PFM cycle in an IFMIS environment, as well as the development and implementation of a sustainable capacity-building plan. A PEFA PFM Performance Assessment will be completed, to determine the current level of performance of the GoS in relation to the seven pillars of performance described in the 2016 PEFA framework.¹⁴
- (b) Using the PEFA results, design and implementation of a capacity-building program that can be sustainably delivered in collaboration with country institutions such as SIMPA, UNISWA, and IDM. The requirements brought about by the implementation of a new IFMIS will also be factored into the capacity-building program. This will also include behavioral orientation and capacity building for controlling officers relative to changes to be introduced by the new PFM Act, once it is approved.
- (c) Review of the functions and structure of the Office of the Accountant General, including the relationships with the financial control, accounting, and reporting functions in the line ministries and other spending units. Relative to the business process reengineering that is required for the implementation of an off-the-shelf IFMIS, a functional and structural review of the Office of the Accountant General will be performed. New functions that are required will be identified, also for the implementation of International Public Sector Accounting Standards. TA will be provided for the implementation of such functions and the associated capacity building of staff to sustainably perform them. In addition, HRM functions in the Office of the Accountant General will be reviewed and improved to underpin improved performance.

2.1.2 Improved PIM

6. The Government is experiencing challenges in the use of a limited capital budget for public investments. These challenges include (a) weak project preparation, appraisal, prioritization, and monitoring of capital projects in line with national development priorities and (b) a low rate of implementation of the Government's capital program, which has led to an

¹⁴ https://www.pefa.org/sites/pefa.org/files/attachments/PEFA%20Framework_English.pdf.

escalation of project costs. On average, the overall execution of capital budgets has, performed at 71 percent during 2003/04 to 2013/14. The low execution rate is because of a weak legal and regulatory framework for PIM to properly regulate capital investment planning, appraisal, selection, and budgeting decisions. There is no Organic Budget Law (there is only an appropriations bill) which regulates the capital budget. Although a national strategy and planning framework exists, the lack of quality in its design inhibits the effective screening of PIPs for strategic relevance. The MEPD and the MOF have acknowledged that despite the existence of an NDS as a long-term national vision, the National Development Plan, as a three-year rolling plan, and the Sectoral Development Implementation Plan, as an annual plan, line ministries tend to justify investment projects with their own strategies—and with loose linkages and coordination between sectors at the national level; thus, project objectives lack specificity in reflecting the contribution of the project toward the achievement of national strategic goals.

7. Further, the GoS developed some PPP projects in several sector ministries, including the Ministries of Public Works and Transport, Health, and Housing and Urban Development. There is consensus that the PPP policy regulation, developed with support from the South African Development and Economic Cooperation and the commonwealth and approved by the GoS in 2013, is quite weak and needs to be fundamentally revised and upgraded. The resultant policy implementation is weak in sectors and needs clear guidance on managing the fiscal aspects of PPPs as well.

8. Under this activity, the project will support improved PIM processes and strengthen the GoS's PPP unit. Main activities will include the following:

- (a) Conduct a PIM diagnostic, and identify weaknesses and strengths in the current processes and help define priorities and sequences of PIM reforms in Swaziland.
- (b) Develop a PIM Operational Guidance and PIM Appraisal Manual to effectively support the improvement of the legal and regulatory setting for PIM and as a supplementary regulatory framework under the legislation of the PFM Bill (2013). The PIM Operational Guidance will practically guide project preparation, pre-appraisal, appraisal, prioritization, and budgeting procedures for all PIPs, as well as clarify the specific roles and responsibilities of the MEPD, MoF, sector ministries, and implementing agencies in each PIM stage. Further, the PIM appraisal manual will project pre-appraisal and appraisal through prefeasibility and feasibility studies and develop a technical manual for project economic analysis, including social, financial, and environmental analyses.
- (c) Strengthen a dedicated PIM Unit within the MEPD to strengthen the 'gatekeeping' function. The PIM Unit will be mandated to be an independent reviewer as well as a gatekeeper in project preparation, appraisal, prioritization, and budgeting decisions for capital investment program.
- (d) Introduce/construct a PIP as an inventory or project database and strengthen reporting, monitoring, and evaluation of new, ongoing, and closed projects. The project will support development of a PIM database to register all relevant information related to PIM projects and processes during the projects' entire life

cycle, from entering the preparation pipeline till completion and registration in central asset registry. Maintain both baseline and actual data sets for each major category of data to allow for monitoring of changes and performances.

- (e) Train key central Government staff for PIM to develop on a sustainable basis, the human capacity to effectively operationalize the PIM system. Training program includes capacity-building workshops and events such as staff training for application of new PIM guidelines, training on necessary tools for project assessment, PIP data usage, strengthened reporting, and monitoring methods.
- (f) Conduct a PPP diagnostic in the context of PIM. Along with a stock-taking review of the ongoing PPP projects, the project will support conduct of a PPP diagnostic in the context of PIM, which will highlight how PPP should be in line with the regular PIM of the Government. The diagnostic aims to create a drill-down assessment, which will cover the whole investment cycle of PPP under a unified framework for effectively managing both traditional PIM and PPPs.
- (g) Support establishing of a dedicated PPP Unit within the MoF and strengthening of the regulatory and institutional framework for PPP implementation. Support the PPP Unit as a small permanent staff complement, to fulfill various functions, including technical support in implementing PPP projects, PPP promotion, PPP policy guidance, and capacity building, and so on.
- (h) Upgrade the existing PPP policy to prevent the PPP public investments being isolated from the regular PIM fiscal management and to properly support establishment of a PPP implementation framework; upgrade the existing PPP policy, which formulates the rule and guidelines of how the PPP PIPs should be fiscally prepared, appraised, proposed, budgeted, and supervised.
- (i) Organize capacity-building program and workshop for the PPP Unit and other sectors. Given that PPP deals are with high-value projects and with complex contracts with risks of corruption and misbehaviors, the project will support development of a strong capacity-building program for the staff of the PPP Unit and other stakeholders, including the MOF, MEPD, sector ministries, and PMO.

Subcomponent 2.2 - Strengthened Transparency and Integrity of the Procurement and Oversight Functions (US\$7.50 million)

2.2.1 Strengthened Public Procurement

9. This subcomponent will support the improvement of the integrity of the procurement system to boost public confidence in public procurement; strengthen the regulatory role of the SPPRA and the quality assurance function of the GTB so that Government finances yield better value for money; support to establish and professionalize the procurement cadre for skilled, ethical, and capable staff to perform the procurement function in ministries; strengthen and reposition the procurement function to ensure efficiency and support the core business of the selected ministries; and develop suitable public procurement training materials and capacitate country institutions to sustainably deliver the training. The 2011 CIFA highlighted the

unavailability of procurement information and weak processes to ensure integrity. In addition, a World Bank stock-taking exercise in 2014 identified several key areas needing urgent intervention, including (a) weak regulatory capacity of the SPPRA and insufficient oversight by the GTB; (b) poor private sector perception of public procurement; and (c) inefficient management of the existing framework contracts that consume a sizeable share of the recurrent budget. To enable it to deliver on its mandate, the 2015 SPPRA Strategic Plan identifies capacity building and strengthening; oversight, monitoring, and compliance; and information and communication technology (ICT) and e-procurement as key strategic focus areas. To overcome the challenges highlighted above, the following interventions will be implemented:

- (a) Support to the SPPRA and GTB through capacity building and specialist TA on public procurement, procurement auditing, and public procurement regulation. A baseline assessment of the current public procurement environment will be conducted. This will include a value chain analysis to identify and quantify costs of inefficiencies in public procurement and a thorough review of the existing framework agreements under Central Government Stores and design of suitable immediate and long-term interventions to remedy losses. The project will support development of standard procurement documents, evaluation formats, and standard operating procedures and manuals for specialized procurements and common use items. A market intelligence system and price reference catalog will be developed to assist the SPPRA in monitoring market operations. Central to this will be the development of an advocacy and change management strategy for the SPPRA. To take advantage of ICT in addressing the current system constraints, a business process reengineering analysis will be carried out and an e-GP strategy developed. This will support the development of a customized e-GP system whose aim will be to address vulnerabilities in procurement, including low confidence of the private sector in the transparency and integrity of the procurement system, unethical market practices, perception of corruption in procurement transactions, lack of compliance with procurement regulations, weak capacity of procuring entities, weak internal controls, weak contract management, and unavailability of procurement data for real-time analysis of procurement/contract/budget-spending performance. The e-GP system will adopt open contracting approaches and support the Government in evidence-based decision making for policies and reforms and enable citizens' engagement in contract monitoring. The e-GP will be implemented in phases for e-bidding, e-purchasing, and e-contract management. Activities that will be supported are (i) development of a web-based procurement portal as the single window for information on country's procurement system; (ii) development of an e-Framework Agreement Module to bring in efficiency in the procurement of common use goods and services; and (iii) development of an e-GP system allowing e-bidding, e-purchasing, and e-contract management, e-Procurement Management Information System, and a public portal.
- (b) Building on the 2016 UNDP Capacity Assessment and Capacity Development Plan, the project will support the establishment of a procurement cadre and the professionalization of public procurement. This will include the development of a strategy toward the establishment of a multi-grade procurement officer category in the country's public service (including developing Schemes of Service and Job

Effectiveness Descriptions), with promotion and career development possibilities within the procurement function.

- (c) The project will strengthen and reposition the procurement function to ensure efficiency and support the core business of the selected ministries. A detailed analysis of the operations of each selected ministry, its service-delivery mandate, and the impact that procurement bears on this will be done. Key procurement staff in each of the selected ministries will serve as champions for procurement and be the target for capacity building. Specialist TA will be provided to handhold these staff during all phases of the procurement cycle, from budgeting and planning to solicitation to evaluation to award of contract to contract management.
- (d) The project will develop suitable public procurement training materials and capacitate country institutions to sustainably deliver the training. This will include development of procurement thematic courses and certification programs with national institutions (SIMPA, IDM, and UNISWA) and sector-specific training of government staff in public procurement. The project will support SIMPA, IDM, and UNISWA to deliver the programs.

2.2.2 Strengthened Oversight Functions

10. This subcomponent will support (a) improved risk management and internal audit; and (b) improved oversight. Main activities will include the following:

- (a) Development and implementation of a GoS risk management framework and system, including the setup of an audit committee. In September 2015, the World Bank completed the implementation of a small Externally Financed Output (US\$225,000 funded by the U.S. Department of State) to build the capacity of the Swaziland Internal Audit Department. Based on an initial and subsequent gap assessment against the international standards for the professional practice of internal auditing, an improvement from ‘does not conform’ to ‘partially conform’ was registered. The main reasons why ‘full conformance’ was not achieved, can be attributed to the following: (i) an audit committee, as primary governance structure for the internal audit function, is not yet in place and this potentially affects its independence and (ii) while good practices have been introduced, several remain to be fully implemented and are dependent on an effective IT system, which is yet to be installed and made operational.
- (b) Capacity building (in close collaboration with the EU) to implement an internal audit framework consistent with the international standards for the professional practice of internal auditing.
- (c) Completion of an AFROSAI-e capability maturity assessment of the SAI and the development and implementation of a sustainable capacity-building plan. The World Bank requested AFROSAI-e (the primary capacity-building institution formed by 21 SAIs in the region, including Swaziland) to perform a gap assessment based on its capability maturity model that is generally applied by the member states. AFROSAI-

e worked with the SAI to establish a set of gaps that would have to be addressed to move from the current operating level 1–2, to an operating level 2–3 by 2018/19. AFROSAI-e then also reviewed the support activities to be funded by the EU and identified the remaining gaps to be supported under this operation. The operation will primarily support (i) facilitation of training and development activities for the SAI management staff, including audit planning and monitoring systems; (ii) the development of policies and policy documents for the SAI; and (iii) improvement of specific operational functions, including TA to improve support for the processes of the PAC.

- (d) Support to the SAI in the automation of their audit approach and processes. The support will include (i) procurement of necessary hardware, software, training; (ii) change management initiatives; and (iii) capacity building.
- (e) Strengthening of the oversight function, as exercised through the PAC, through a capacity assessment and implementation of a sustainable capacity-building plan. Improving the oversight function of the PAC is essential to improve the demand for better PFM. An effectiveness and capacity assessment will determine the design, construction, and implementation of a sustainable capacity-building plan, through local institutions.

Component 3: Improved Accountability for Better Service Delivery (US\$9.24 million)

11. This component focuses on strengthening accountability and results in service delivery through improved statistical capacity to provide real-time data, the M&E function, and policy coordination and implementation. This component will further support key improvements in provision of civic and immigration services to citizens and potential investors and provide opportunities for citizen participation through selected social accountability mechanisms building on the existing Government Smart Partnership Program. The GoS has experienced lack of (a) comprehensive indicators to measure performance of the economy and (b) timely and appropriate data. There is a dual planning system, between the MoF and PMO, and the sectors, with a number of inconsistencies and redundancies and a lack of an integrated medium-term and longer-term perspective. Currently, the use of M&E information for policy making is limited, although the GoS has demonstrated interest in building a strong M&E system to ensure implementation of Vision 2022 and to enhance government performance. Performance monitoring is at an early stage and, as part of the planning process by the PPCU, a performance-targeting and appraisal program has been established. Performance targets are established by all MDAs at the beginning of each financial year and are expected to be aligned with the five-year program of action (2013–2018, the Swaziland Development Index [SDI] and Vision 2022). Assessment of frontline service delivery is done only partially, mainly by the MDAs. Monitoring of institutional performance, such as back-office functions, is very limited.

Subcomponent 3.1 - Evidence-based Policy Making and Coordination (US\$5.10 million)

12. This subcomponent will start with support to improvements in evidence-based policy making and coordination and build the capacity of the private and cabinet office. This will be

complemented by support to enhance the M&E function and improve statistical capacity for better data collection and use.

3.1.1. Strengthened Policy Coordination and Implementation

13. This subcomponent will support enhancing capacity of the PPCU in the PMO that is in charge of monitoring policy development, planning, analysis, inter-ministerial coordination, and evaluation of policy implementation. The PPCU's mission is to provide strategic policy intelligence to the public service through strengthened mechanisms for policy formulation, research, coordination, and harmonization to achieve national development goals and priorities. However, the unit needs significant capacity enhancement to enable it to deliver on its mandate and play a strategic role. The project will (a) support functional review of the Cabinet Secretariat and PPCU to identify both capacity and structural gaps that undermine their ability to coordinate Government policy planning, formulation, and implementation; (b) build capacity of the PPCU to undertake its mandate; and (c) build capacity of the policy and planning units in the three selected institutions. Support will be provided on the basis of an incremental approach starting with development and introduction of key policy development and monitoring tools. Key activities will include the following:

- (a) Functional review of the private and cabinet office and the PPCU to establish mandate and capacity gaps and address both capacity and structural gaps that undermine their ability to coordinate government policy formulation and implementation and build capacity of policy and planning units in the four selected institutions
- (b) Introduction and strengthening of the research function for evidence-based policy making and to incorporate SDI monitoring
- (c) Development of policy development framework/manual, electronic policy library, electronic-based system to enable budget monitoring for historical expenditure and cost information, to finance, PPCU, and MoPS, SDI monitoring mechanism.
- (d) Training and capacity-building for skills and competencies on public policy formulation, policy analysis, policy review, policy coordination and harmonization, policy implementation and monitoring (M&E), and research skills for evidence-based policy making, as well as change management, transformation of mindsets, and attitudes for improved service delivery.

3.1.2. M&E for Service Delivery

14. This subcomponent focuses on support to the Government to lay the foundation for the design and implementation of an effective M&E policy framework, including the specific M&E functions, systems, tools, capacities, and the institutional architecture. The subcomponent will be led by the MEPD, in close collaboration with the MoF, the PPCU in the PMO, and the line ministries, among others. This will be done on the basis of an incremental approach, starting with the framework and a pilot approach in the pilot ministries on monitoring and later to be complemented by evaluation.

15. Key activities will include the following:

- (a) Strengthening the M&E framework and its institutional architecture to inform the M&E policy to be adopted by the cabinet; laying the foundation for a gradual development of a government wide M&E function across government, aligned with the planning, budgeting, and public service management functions, on the basis of a diagnostic of current practices, a draft M&E framework, and the existing tools such as performance targets templates; and aligning institutional roles and responsibilities.
- (b) Strengthening M&E functions, systems, and tools in pilot ministries at the policy, program, and project levels, building on the current system in preparation, starting with monitoring tools (including manuals and guidelines), and to be complemented later with evaluation tools; promoting the use of these M&E tools and findings for policy making; and building on close engagement with the pilot ministries and a review of national and international design options.
- (c) Designing and implementing basic participatory M&E tools for use by citizens, civil society, and private sector and promoting mechanisms for regular publication and discussion of M&E findings on the basis of a diagnostic.
- (d) Reviewing and providing support for a simple electronic M&E dashboard for the implementation of the M&E tools developed and strengthened under the project on the basis of a diagnostic of the specific needs in Swaziland and a review of international experiences.
- (e) Strengthening capacity through global and national knowledge exchanges and formal and informal learnings, including on-the-job training; the design of the content of an M&E course to be taught at UNISWA and training institutes; and the establishment of a community of practice.
- (f) Promoting change management through targeted stakeholder engagement with key national stakeholders, including the executive, relevant line ministries beyond the pilot ministries, the legislative, the Auditor General, and civil society; risk management and communications; and the design of an M&E incentives framework.

3.1.3 Strengthened Statistical Capacity

16. This subcomponent will focus on strengthening statistical capacity to provide data for monitoring SDG indicators and poverty and welfare, social assistance programs, labor market and service delivery outcomes. Weak statistical capacity has negatively affected the M&E of programs and the NDS (1997–2022) identifies the following challenges: (a) lack of comprehensive indicators to measure performance of the economy; (b) lack of timely and

appropriate data; and (c) lack of frequent socioeconomic and population indicators to support the planning process.¹⁵

17. Main activities will include:

- (a) Strengthening CSO capacity to regularly produce quality and reliable statistics and training of staff in the design and conduct of various statistical operations such as surveys, census, SDG monitoring and producing timely reports. The project will support the data collection, analysis and provision of detailed baseline information on demographic, poverty, social protection, labor market, health, education, and labor market indicators. The cost of the two rounds SHIES data collection will be shared with the Government and CSO own funds to ensure project's sustainability. The project will sponsor all elements of the data collection including interviewers, data entry operators, supervisors and all the logistics associated with the survey undertaking. It is envisioned that SHIES will be a core instrument providing a long term solution for frequent high quality data collection, generating a wider range of social and economic indicators.
- (b) Introduction of Computer Assisted Personal Interviewing (CAPI) will be tentatively proposed and introduced and development and implementation of comprehensive survey monitoring system. The work will include quality assurance, data validation, preparation, aggregation and dissemination. The data sharing platform will be developed in the framework of the Accelerated Data Program (ADP) program.
- (c) Training CSO staff on survey design, data collection and evidence based policy making.
- (d) Analytical work on SHIES data producing periodical statistical reports and publications.
- (e) Review of legal and institutional arrangements for CSO.

Subcomponent 3.2 - Service Delivery Innovation and Citizen Engagement (US\$2.30 million)

18. This subcomponent will support a mechanism to foster citizens' feedback to improve public service delivery. The GoS has adopted the international Smart Partnership dialogue process to support citizen engagement in the country's development process. By utilizing the existing Smart Partnership Program managed by the PMO, the project will support citizen engagement activities in the three line ministries of Health, Education, and Public Works and Transport and the MoHA. The activities financed by this subcomponent include the review of the service charters of these ministries as a baseline for the public services for which each ministry is responsible. Dialogue forums will be organized for citizens to provide their initial feedback and to establish whether the ministries are meeting their service delivery obligations as specified in

¹⁵ The last Swaziland Demographic and Health Survey and the SHIES were conducted in 2001 and 2009/10. The new SHIES developed with the support of the World Bank is currently in the field (starting March 2016 through April 2017). The last Labor Force Survey was carried out in 2013. The World Bank has been supporting the non-state actors through a Trust Fund for Statistical Capacity Building (total US\$250,000 for Swaziland).

the service charters and pertaining to areas supported under the project. This subcomponent will also support the MoHA to carry out an organizational review, incorporating citizens' feedback on civic and immigration services. The subcomponent will support operationalization of the one-stop service centers that have been constructed in five regions. Main activities will include the following:

- (a) Implementation of customer satisfaction surveys in the selected ministries and sharing of information on service delivery outcomes with citizens.
- (b) Organization of Annual Smart Partnership Forums to share information on overall project expectations and results.
- (c) Review of the MOHA and assessment of its service delivery standards with regard to civic and migration services.
- (d) Review, update, and harmonization of legislation on civic and immigration services
- (e) Automation of immigration and civic services at five one-stop service centers (Mayiwane, Mhlambanyatsi, Gege, Sithobela, and Lomahasha) and five border posts (Bulembu, Lundzi, Sicunusa, Nsalitje, and Gege) and training of relevant staff on new procedures.

Subcomponent 3.3 - Strategic Implementation Support (US\$1.84 million)

19. This component will support the day-to-day management of the project to ensure adherence to the World Bank's fiduciary and project management guidelines, including financing of the Project Coordination Unit (PCU) to support project implementation, producing of a quarterly progress report, procurement, and FM and to ensure adherence to the World Bank's fiduciary and project management guidelines. This component will finance the additional staff required to support the above functions, including M&E of the project activities, office equipment, running cost, and an annual audit and independent performance review of the project.

Annex 3: Implementation Arrangements

Swaziland: Improving Public Sector Performance Project

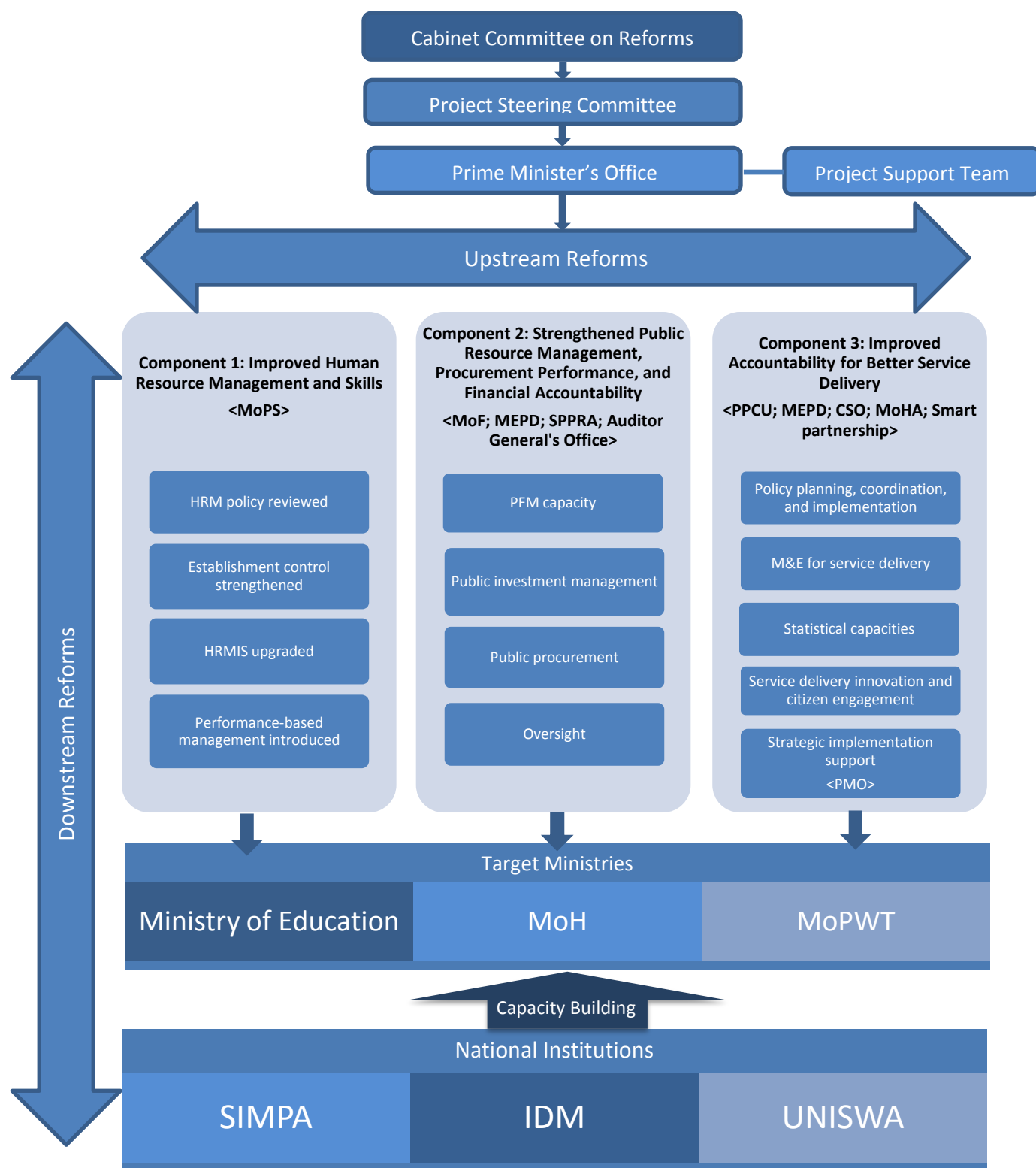
Project Institutional and Implementation Arrangements

1. **The implementation arrangements for the project consist of three levels:** (a) the CCR to provide for continuous engagement at the highest political level and ensure that the project is closely aligned with the overall Public Sector Modernization reform agenda; (b) the PSC to oversee and manage the project implementation; and (c) the TWG, consisting of staff who will lead implementation of activities in each intervention area and for each agency and ministry. The project will be supported by a six-staff PST to be established within the PMO under the oversight of the Directorate of Transformation and Innovations. The PST will be in charge of the day-to-day implementation of the activities and will handle FM, procurement, and M&E. The roles, responsibilities, inter-relationships, and accountability of the steering committees, the PSC and PST, will be defined in more detail in the POM. The CCR and PSC will be set up prior to effectiveness. The summary in the following paragraphs and Figure 3.1 outline the core elements of the implementation arrangements:

- (a) **CCR.** This committee will be the highest-level body mandated to provide strategic directions, exercise oversight, and resolve any contentious issues that might arise in the course of project implementation. The CCR will be established to ensure intergovernmental coordination and commitment to all reforms, including public sector reforms, for the achievement of the NDS. The CCR will be convened at least twice a year under the chairmanship of the deputy prime minister.
- (b) **PSC.** This committee will be chaired by the secretary to the cabinet and its membership includes principal secretaries of the Ministries of Public Service, Education, Health, Public Works and Transport, Finance, and Economic Planning and Development and heads of the SPPRA and SIMPA. It will meet at least every quarter with the purpose of monitoring project implementation to ensure it is aligned with the undergoing reform processes and providing necessary support for the reforms.
- (c) **TWG.** Each of the beneficiary MDAs will designate a component leader (a senior civil servant to be appointed by the respective MDAs) who will act as the focal point responsible for leading project activities in their MDA. Each component leader will lead a group of technical specialists responsible for the implementation of project activities. Component leaders will provide input for the preparation of the AWP, facilitate the development of terms of reference and technical specifications, guide and supervise the work of consultants, and monitor implementation progress, including procurement and disbursements, on a regular basis.
- (d) **PST.** This team will be housed in the PMO, and it will be responsible for coordinating project implementation by working closely with ministries and other project stakeholders. In particular, it will (i) manage project funds, (ii) follow up on procurement, (iii) monitor ministries responsible for the envisaged activities, (iv)

ensure compliance with the World Bank's FM and procurement guidelines as well as safeguards policies, and (v) and prepare progress reports.

Figure 3.1. Implementation Structure



2. The PST will consist of:

- (a) a project manager, who will be responsible for overall coordination and implementation of the entire project;
- (b) a senior accountant, who will be responsible for management of project funds (for example, the overall utilization of funds) and ensuring that the activities receive the necessary funding and provide appropriate accountability/preparation of financial reports;
- (c) a procurement officer to support procurement activities undertaken by the component leaders and technical specialists;
- (d) a monitoring/evaluation and quality control officer to support monitoring activities to ensure timely delivery of quality outputs and reporting responsibilities, including drafting progress reports with updated indicators for the project Results Framework;
- (e) a communication specialist to support the development of a communication strategy for the project, working with individual agencies and component leaders to ensure that key achievements and challenges are disseminated in a timely, consistent, and positive manner; and
- (f) a change management specialist to work with different component leaders to support the implementation of different change management interventions.

3. **Implementation.** It is proposed that the MoF will maintain the DA and local accounts will be maintained by the five beneficiary ministries that will receive funds for implementation of project activities. It is proposed that procurements and FM be implemented at the project implementation team level by the PST except for the following agencies: MoF (IFMIS project office), SPPRA, CSO, MoHA, and MoPS. The technical input will be provided by the respective specialist implementing agencies. Procurement, FM, and M&E will be done by the PST, which will also support the development of a communication strategy for the project ensuring that progress is shared to different stakeholders on a regular basis. The PST will be responsible for collecting and disseminating information about the project, working with the different agencies to ensure that individual communication strategies are developed for each component activity where relevant (for example, for reforms in home affairs and the SPPRA).

4. **POM.** The roles, responsibilities, inter-relationships, and accountability lines of the PSC, PST, and component leaders will be defined in more detail in the POM. The POM covers institutional arrangements for managing and implementing the proposed project, as well as processes and procedures for planning, budgeting, accounting, procurement, internal controls, reporting, and M&E. The POM provides operations guidance for component leaders and technical experts and members of the PST, project coordinator, FM and procurement specialists, and M&E/quality control officer of the secretariat. The POM will be jointly prepared by the PMO and PST in consultation with other beneficiary agencies and will be adopted within two months after project effectiveness. The members of the working groups, including component leaders and technical experts, will be designated.

5. **Common reporting, monitoring, and review framework.** The MoF will be the recipient of the loan on behalf of the GoS and will delegate overall project coordination to the PMO and the project administration to the PCU. The project will be overseen and monitored by the CCR. The functions and responsibilities of the CCR will, among others, include providing direction and reviewing progress and impact of the project; providing the main forum for review and assisting the GoS for support to core reforms, within the framework of the project; assessing risks to reform implementation and developing mitigation strategies; discussing and approving the AWP and budgets for the core reforms; coordinating biannual joint reviews of achievements against the indicators and targets in the agreed Results Framework; and tracking progress against plan.
6. Two implementation support missions by the World Bank will take place each year. Together with these, the GoS will undertake semiannual joint reviews of achievements against the indicators and targets in the agreed Results Framework and progress against plan.
7. Quarterly IFRs will be prepared by the PCU and submitted to the World Bank within 45 days of the end of the reporting quarter.
8. The agreed Results Framework for core reforms will be the basis for monitoring of the impact of the project.
9. **FM.** FM assessment was carried out in accordance with OP/BP 10.00, IPF, and the Financial Management Manual for World Bank IPF Operations issued by the FM Sector Board on March 1, 2010, and retrofitted on February 4, 2015. The objective of this assessment was to determine whether the proposed implementing agency (PMO) and the beneficiaries' MDAs (MoF, MoPS, MoHA, SPPRA, and CSO) have acceptable FM arrangements for the implementation of the proposed project. The arrangements are considered acceptable if the entities' planning, budgeting, accounting, internal controls, funds flow, financial reporting, and auditing arrangements (a) are capable of correctly and completely recording all transactions and balances relating to the project; (b) facilitate the preparation of regular, timely, and reliable financial statements; (c) safeguard the project's assets; and (d) are subject to auditing arrangements acceptable to the World Bank.
10. The overall conclusion of the FM assessment is that the project's FM arrangements have an overall residual FM risk rating of Substantial as the arrangements (accounting staff and systems, internal control produces, and project external auditors) are not yet in place. Therefore, the GoS should take appropriate actions to ensure that the agreed FM action plan is satisfactorily implemented within the established deadlines as stipulated in the action matrix to ensure that acceptable project control environment is maintained throughout its implementation.
11. **Strengths.** The project FM will be implemented by the PST to be established under the PMO. The PMO is implementing a component of the ongoing Swaziland Health, HIV/AIDS, and TB Project and no major FM issues were raised.
12. **Weaknesses.** While the project fiduciary matters will be handled by the PST under the PMO, the project senior accountant and the project accountant have not yet been appointed.

However, the appointment of the project senior accountant will be a condition of project effectiveness.

13. **Budgeting.** The PST will prepare the annual budget on the basis of the AWP's agreed with all implementing agencies. Planned activities for the various components and implementing agencies have been discussed and finalized. These budgets contain details of objectives, expected outcomes, and performance indicators. It is expected that from this five-year plan, the budget will be extracted from the AWP's for the components so that activities can be specifically implemented and monitored. The project will also be responsible for producing variance analysis reports comparing planned with actual expenditures on a quarterly basis. The periodic variance analysis will enable the timely identification of deviations from the budget. These quarterly variance analysis reports will be part of the IFRs that will be submitted to the World Bank on a quarterly basis. The budget preparation and monitoring of budget execution will be described in the Financial Procedures Manual, and formats for annual budget and monitoring reports will be included as annexes.

14. **Staffing.** The PST under the PMO will be responsible for fiduciary aspects of the project. The PST FM capacity will comprise a project senior accountant and an project accountant. The overall responsibility of project FM matters rests with the project senior accountant reporting to the PST coordinator. The project senior accountant should be appointed by the project effective date, and he/she should be a qualified professional with relevant experience in managing World Bank and/or donor-funded projects. The project accountant should be recruited within three months after project effectiveness. The fees of the project senior accountant and the project accountant will be funded by the project proceeds. The implementing agencies (MoF, MoHA, MoPS, SPPRA, and CSO) will appoint an accountant to take the responsibility of managing project funds under the supervision and guidance of the PST senior accountant.

15. **Accounting.** The PST will account for the project funds, expenditures, and resources using a computerized accounting software, and the basis of accounting will be Financial Reporting under Cash Basis. The accounting software is to be purchased and installed within four months after project effectiveness, and it should be capable of recording correctly the financial transactions by project categories, components, and implementing entity. It should also be a sound accounting software that enables key controls and is capable of producing timely and reliable financial information required to effectively monitor and manage the project progress. The beneficiaries' agencies that will be managing funds will maintain necessary accounting systems and supporting records. These entities will make use of Microsoft Excel spreadsheets to account for project funds and expenditures.

16. **Internal control.** The internal audit function of the project will be the responsibility of the Internal Audit Department at the MoF, which will review its operations. The Internal Audit Department will perform an objective assurance function and will not be involved in carrying out operational tasks to ensure independence in executing its work. In addition, regular supervision through desk review and field visits should be carried out by the World Bank to ensure that the PST is maintaining adequate systems of internal controls and key procedures are complied with.

17. The finance and administrative procedures to be employed by the agencies in the implementation of the proposed project will be documented as part of the Project Operational

Manual. This should include duties and responsibilities in managing project funds to be transferred to the MoF, MoHA, MoPS, SPPRA, and CSO. The formats for work plans to be produced by these entities and financial reports should be included in the manual as annexes. The PST will periodically review the manual over the project life to ensure its continued adequacy and compliance with the requirements set out therein.

18. **Financial reporting.** The PST will prepare quarterly IFRs for the project, in form and content satisfactory to the World Bank, which will be submitted to the World Bank within 45 days after the end of the calendar quarter to which they relate. These reports should provide financial information required to effectively monitor and manage the project. The contents of these reports should consist of financial reports, including all sources and uses of funds reports by project components and categories and uses of funds by project components and activities, including comparison of budget and actual expenditures.

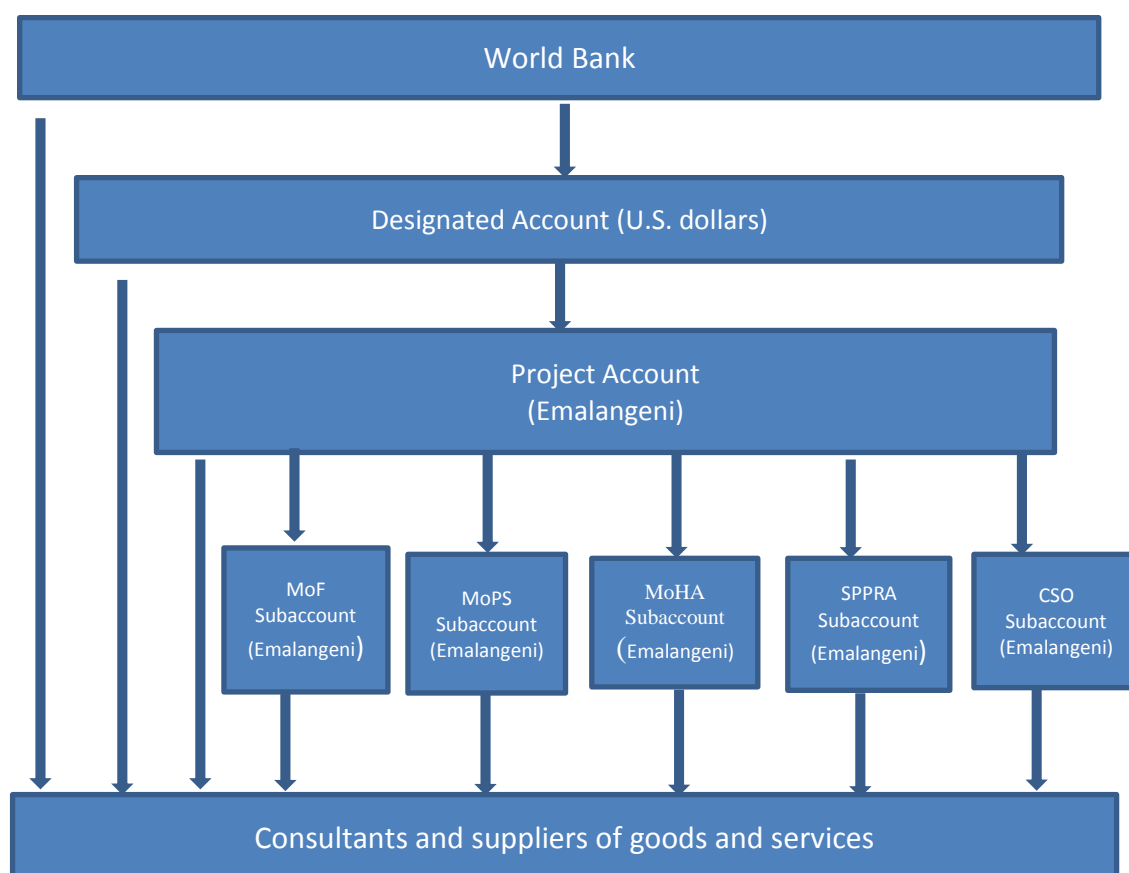
19. The PST will also produce annual project financial statements, which will comprise:

- (a) a statement of sources and uses of funds/cash receipts and payments, which recognizes all cash receipts, cash payments, and cash balances controlled by the entity for this project and separately identifies payments by third parties on behalf of the agency;
- (b) the statement of uses of funds by project components and activities, including comparison of budget and actual project expenditures;
- (c) the accounting policies adopted and explanatory notes. The explanatory notes should be presented in a systematic manner with items on statement of cash receipts and payments being cross-referenced to any related information in the notes. Examples of this information include a summary of fixed assets by category of assets; and
- (d) a management assertion that IBRD funds have been expended in accordance with the intended purposes as specified in the relevant World Bank Legal Agreement.

20. **Funds flow.** To facilitate the implementation of the project activities, the PST will establish and maintain a segregated DA in U.S. dollars at the Central Bank of Swaziland under terms and conditions acceptable to IBRD. Funds in the DA will be used to finance eligible project expenditures in accordance with the Loan Agreement and Disbursement Letter. From the DA, the PST will make payments for foreign consultants and suppliers of goods and services and transfer funds to the project accountant to facilitate payments of local eligible project expenditures and quarterly transfer of funds to separate subaccounts to be opened and managed by the MoF, MoHA, MoPS, CSO, and SPPRA. The project funds to be deposited in separate subaccounts will finance activities to be implemented by those implementing agencies, and the transfer of funds will be based on approved quarterly work plans. Subsequently, these implementing agencies will submit reports on the use of project funds and work plans for the replenishment of the subaccounts on a quarterly basis. Concerning other project beneficiaries, payments related to their project activities will be made from the project account by the PST. Each beneficiary agency will submit the necessary supporting documentation to the PST for processing of payments.

21. Figure 3.2 depicts the funds flow mechanism for the project activities to be financed under the traditional disbursement methods.

Figure 3.2. Funds Flow Mechanism



22. **Disbursement arrangements.** Disbursement of IBRD funds will be done on a transaction basis. An initial advance up to the ceiling of the DA (to be indicated in the Disbursement Letter) and representing four months forecasted project expenditures payable through the DA will be made into the DAs, and subsequent disbursements will be made on a monthly basis against submission of the statement of expenditures or other documents as specified in the Disbursement Letter. In addition to the advance method, the option of disbursing the funds through direct payments to a third party, for contracts above a predetermined threshold for eligible expenditures, will also be available. Withdrawal applications for such payments will be accompanied by relevant supporting documents such as copies of the contracts, invoices, and other appropriate supporting documents. Options for the use of reimbursements will also be available. The World Bank will issue the Disbursement Letter that will specify additional instructions for the withdrawal of the proceeds of the loan.

Table 3.1. Disbursement Categories and Costs

Category	Amount of the Loan Allocated (Expressed in US\$)	Percentage of Expenditures to be Financed (Exclusive of Taxes)
(1) Goods, non-consulting services, Training, Operating Costs and consultants' services for the project	24,937,500	100
(2) Front-end Fee	62,500	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(3) Interest Rate Cap or Interest Rate Collar premium	0	Amount due pursuant to Section 2.08(c) of this Agreement
Total Amount	25,000,000	

23. **Auditing.** The project financial statements will be audited annually in accordance with International Standards on Auditing as promulgated by the International Federation of Accountants, and the audit report together with management letter will be submitted to the World Bank within six months after the financial year-end, that is, September 30 of each following fiscal year. The costs incurred for the audit will be financed under the project. The auditors will be required to express a single opinion on the project financial statements. In addition, a detailed management letter containing the auditor's assessment of the internal controls, accounting system and compliance with financial covenants in the Loan Agreement, suggestions for improvement, and management's response to the auditor's management letter will be prepared and submitted to management for follow-up actions. The arrangements for the appointment of the external auditors of the project financial statements will be communicated to the World Bank through agreed terms of reference. The terms of reference of the project's external auditor will be finalized following effectiveness to enable the commencement of the procurement of external audit services, and this should be completed within four months after the project effective date. The project will comply with the World Bank disclosure policy on audit reports (for example, make publicly available, promptly after receipt of all final financial audit reports [including qualified audit reports] and place the information provided on the official website within one month of the report being accepted as final by the World Bank).

24. **Effectiveness condition.** Appointment of a qualified and experienced project senior accountant under terms and conditions acceptable to the World Bank is an FM condition for effectiveness.

25. **Dated covenants.** Deployment of one accountant to the PST and the preparation and adoption of the Financial Procedures Manual should be undertaken within three months after the project effective date. Purchase and installation of computerized accounting software and appointment of external auditors should be finalized within four months after the project effective date.

26. **FM action plan.** To establish an acceptable control environment and to mitigate FM risks, the following measures should be taken by the due dates indicated in the FM action plan in Table 3.1.

Table 3.2. FM Action Plan

No.	Action	Responsibility	Completion date
1	Appointment of a qualified and experienced project senior accountant	PMO	Effectiveness
2	Appointment of one project accountant to the PST	PMO	No later than three months after effectiveness
3	Preparation and adoption of Project Operational Manual acceptable in form and substance to the World Bank	PST/PMO	Within three months after effectiveness
4	Purchase and installation of computerized accounting software for the project	PST/PMO	Within four months after effectiveness
6	Appointment of the project internal and external auditors	PST/PMO	No later than four months after effectiveness

27. **Supervision plan.** The project will be supervised on a risk-based approach. The FM supervision will be carried out by the World Bank FM specialist. These supervisions will focus on the status of the FM system to verify whether the PST and project beneficiaries (MoF, MoHA, MoPS, SPPRA, and CSO) continue to maintain acceptable project FM arrangements and provide support where needed. The initial supervision will focus on review of implementation progress of the agreed FM action plan, as per paragraph 26. The FM supervision missions will also include a review of quarterly progress reports and audit reports and follow up on material accountability issues by engaging with the task team leader (TTL), client, and/or auditors. Based on the assessment, the PFM current risk is Substantial and field visit supervision will be twice during the fiscal year and adjust when the need arises.

28. **FM risk assessment and mitigation.** The World Bank's principal concern is to ensure that the project funds are used economically and efficiently for the intended purpose. Assessment of the risks that the project funds will not be appropriately used is an important part of the FM assessment work. The risk features comprise two elements: (a) the risk associated to the project as a whole (inherent risk) and (b) the risk linked to a weak control environment with regard to the project implementation (control risk). The content of these risks is described in Table 3.3.

Table 3.3. PFM Risk Assessment and Mitigation Measures

Risk	Risk Rating	Risk Mitigating Measures Incorporated into Project Design	Conditions for Effectiveness (Yes/No)	Residual Risk
Inherent risk	S	—	—	S
Country level. The latest CIFA identified critical PFM weaknesses and rated fiduciary risk as Substantial.	S	There has been slow progress in the implementation of PFM reforms in recent years. The quality of FM is inadequate. The ring-fencing of the project under the PST will mitigate these weaknesses.	No	S
Entity level. The implementing entities may not be able to meet the FM requirements due to lack of FM capacity.	S	The PST will recruit a qualified and experienced project senior accountant to ensure the appropriate management of the project funds. He/she will be supported by one project accountant. The Financial Procedures Manual will be produced and adopted for the project.	Yes. The appointment of the project senior accountant is a condition of effectiveness.	S

Risk	Risk Rating	Risk Mitigating Measures Incorporated into Project Design	Conditions for Effectiveness (Yes/No)	Residual Risk
Project level. The resources of the project may not be used for the intended purposes.	S	The PST will comply with the internal control processes to be outlined in the Financial Procedures Manual. A qualified and experienced project senior accountant will have the overall responsibility of project FM. The project will be audited annually by independent auditors.	No	S
Control Risk	S			S
Budgeting. Weak budgetary execution and control leading to budgetary overruns or inappropriate use of project funds	M	The Financial Procedures Manual will spell out the budgeting and budgetary control arrangements to ensure appropriate budgetary oversight. The IFR will include a comparison of planned and actual project expenditures.	No	M
Accounting. The accounting function might not be able to execute its duties and to generate timely financial information.	S	The PST will recruit a suitably qualified and experienced project senior accountant to ensure appropriate performance of the accounting and FM functions. A computerized accounting software will be purchased and installed within four months after the project effectiveness.	Yes. The appointment of the project senior accountant is a condition of effectiveness	S
Internal control. The risk of noncompliance with key internal control procedures due to weak FM capacity, especially at provincial level	S	Financial and administrative procedures to be employed by the PST in project implementation will be documented in the existing Financial Procedures Manual. The World Bank's regular FM implementation support through desk reviews and field visits will make appropriate recommendations to improve project FM environment.	No	S
Funds flow. Funds will be channeled from the DA to some implementing agencies. There is a risk that project funds may not be used for intended purposes.	S	Internal control mechanism for transfer of funds from the DA to the implementing agencies will be documented in the Financial Procedures Manual to be produced and adopted by the project. The implementing agencies' finance staff who will be managing project funds will be trained for management of project funds.	No	S
Financial reporting. The project may not be able to produce the financial reports required on time, as required for project monitoring and management.	M	The PST will recruit a project senior accountant appropriately experienced in financial reporting and conversant with the related World Bank requirements. The PST will use the computerized accounting system that will enable the efficient and timely generation of financial information.	No	M

Risk	Risk Rating	Risk Mitigating Measures Incorporated into Project Design	Conditions for Effectiveness (Yes/No)	Residual Risk
Auditing. Delays in submission of audit reports or delays in implementing the recommendations of the management letter	M	An independent external audit firm will be hired by the project to ensure compliance with the audit submission timelines set out in the Loan Agreement. The World Bank will monitor audit submission compliance and ensure implementation of management letter recommendations.	No	M
Governance and accountability. Possibility of corrupt practices, including bribes, abuse of administrative and political positions, misprocurement and misuse of funds, and so on, are a critical issue.	S	Project FM arrangements (including a comprehensive annual audit of project accounts and World Bank FM supervision including review of transactions and asset verification) designed to mitigate the fiduciary risks in addition to the PST's overall internal control systems	—	S
OVERALL FM RISK	S	—	—	S

Note: M = Moderate; S = Substantial.

29. The overall residual FM risk rating is deemed Substantial as the agreed arrangements are not yet in place (accounting staff and systems, internal control procedures, and project external auditors). The mitigations measures include (a) appointment of qualified and experienced project senior accountant before effectiveness; (b) deployment of project accountant and adoption of project Financial Procedures Manual within three months after effective date; and (c) purchase and installation of computerized accounting software and appointment of project external auditors within four months after the effective date.

Procurement

30. **Key risks and risk assessment.** Key issues concerning procurement under the project include (a) the need for the PMO to separate the procurement from the accounting function and (b) limited capacity of the PMO and project staff to ensure adherence to World Bank Procurement and Consultant Guidelines.

31. **Mitigation measures.** Proposed mitigation measures include the following: (a) the PMO to hire a dedicated procurement officer; (b) training of PMO and project staff in World Bank procurement and consultant selection methods and procedures and development of the Procurement Manual; and (c) selected contracts to be subject to prior review.

32. The implementing agency risk rating is Moderate.

33. **Risk mitigation action plan.** The following actions are suggested to mitigate the procurement risk and facilitate the implementation of the project.

Table 3.4. Procurement Management Action Plan to Mitigate Procurement Risk

Risk	Mitigation/Action	Responsibility	Due Date
The need for the PMO to separate procurement from the accounting	The PMO to hire a dedicated procurement officer	PMO	Prior to Effectiveness

Risk	Mitigation/Action	Responsibility	Due Date
function			
Limited capacity of the PMO and project staff to ensure adherence to World Bank Procurement and Consultant Guidelines.	Training of the PMO and project staff in World Bank procurement and consultant selection methods and procedures, development of the Procurement Manual, and selected contracts to be subject to prior review	World Bank	Prior to Effectiveness, and During Project Implementation

34. All procurement to be financed under the project will be carried out in accordance with the World Bank's 'Guidelines: Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers', dated January 2011, revised July 2014; 'Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers', dated January 2011, revised July 2014; and the provisions stipulated in the Legal Agreement. The project will carry out implementation in accordance with the 'Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants, dated October 15, 2006, and revised in January 2011 (the Anti-Corruption Guidelines). For ICB and NCB, all procurement of goods, works, and non-consultant services will be done using the World Bank's SBDs. All consultant selection undertaken for firms will be done using the World Bank's Standard Requests for Proposals.

35. The Public Procurement Act of 2011 came into force when the notice issued by the minister of Finance was published in the Government Gazette in May 2013 while the SPPRA board was appointed in April 2013 and the chief executive officer began duties in November 2013. The draft Public Procurement Regulations are yet to be finalized and made consistent with the Public Procurement Act of 2011. The 2008 Public Procurement Regulations are still being applied until the new regulations foreseen in the Public Procurement Act of 2011 are finalized and adopted. A draft Procurement Manual has been developed but is not yet in use while the SBDs have been disseminated and are required to be used by all government agencies as directed by the GTB.

36. **Procurement of works.** The procurement of works will be done using the World Bank's SBDs for all procurement under ICB and NCB, as appropriate. Direct Contracting may be used when competition is not advantageous, with the World Bank's prior review and approval. Prequalification of contractors is not envisaged under this project as only minor works are expected to be carried out.

37. **Procurement of goods.** Goods to be procured under this project are estimated in aggregate at not more than US\$7.5 million. The procurement of goods will be done using the World Bank's SBDs for all procurement under ICB and NCB, as appropriate. The procurement of such goods and equipment that fall within the Shopping threshold will be done using procedures described in the Procurement Manual. United Nations agencies and Direct Contracting may also be considered with the World Bank's prior review and approval.

38. **Procurement of services (other than consultants' services).** Services (other than consultants' services) to be procured under the project estimated in aggregate at not more than US\$200,000 will include printing, services for contracts for installation and technical support of

telecommunication and computerized systems, and public awareness campaigns, among others. The project will use the World Bank's SBDs for both ICB and NCB as appropriate.

39. **Selection of consultants.** Consultants' services required for firms and individuals by the overall project are estimated in aggregate at not more than US\$10 million to cover consultancies for (a) TA support to the project; (b) technical reviews and evaluations; (c) subsector studies; (d) training module development; (e) surveys; and (f) project management services, among others.

40. **Training.** This category will cover all costs related to the carrying out of study tours, training courses and workshops, that is, hiring of venues and related expenses, stationery, and resources required to deliver the workshops as well as costs associated with financing the participation of community organizations in short courses, seminars, and conferences, including associated per diem and travel costs. Training projects will be part of the AWP and budget and will be included in the Procurement Plan. Prior review of training plans, including proposed budget, agenda, participants, location of training, and other relevant details, will be required only on an annual basis.

41. **Operating costs.** Incremental operating costs include expenditures for maintaining equipment and vehicles, fuel, office supplies, utilities, consumables, allowable travel per diems, allowable travel and accommodation expenses, and workshop venues and materials. These will be procured using the borrower's administrative procedures, acceptable to the World Bank.

42. **Procurement Manual.** The procurement procedures and SBDs to be used for World Bank-funded procurement will be presented in the Procurement Manual in line with the guidelines of the World Bank. The Procurement Manual will include the component descriptions, institutional arrangements, regulatory framework for procurement, approval systems, activities to be financed, procurement and selection methods, thresholds, prior review and post reviews arrangements and provisions, filing and data management, and the Procurement Plan for the first 18 months for all project components.

43. **Assessment of the agency's capacity to implement procurement.** An assessment has been made of the PMO. The PMO has a budget of SZL 69 million of which SZL 47 million is a direct transfer to the National Emergency Response Council on HIV and AIDS while SZL 22 million is for salaries and operating costs. The procurement and FM function is currently carried out by the Accounts Unit with no segregation of duties. There are no staff dedicated to procurement though the unit comprises three accountants and a storekeeper. Most of the procurements carried out are of low-value common-use items using Shopping procedures or framework agreements. The unit has not executed any projects using DP funds. For the unit to perform the procurement function for the project, there will be a need for orientation of staff in procurement, additional TA, and development of implementation manuals to guide staff.

44. **Procurement supervision.** Given the country context and the project risk indicated in the earlier paragraphs, an annual post procurement review will be conducted in addition to the semiannual supervision missions by the World Bank. The annual post procurement review will be carried out either by the World Bank or World Bank-appointed consultants. The frequency of procurement supervision missions will be once every six months, and special procurement supervision for post procurement reviews will be carried out at least once every 12 months.

45. To enhance the transparency of the procurement process, the recipient shall publish the award of contracts procured under ICB procedures or selected under the Quality- and Cost-Based Selection (QCBS) method, generally within two weeks of receiving the World Bank no-objection to the recommendation of award of contract, in accordance with the Procurement and Consultant Guidelines. Additional procedures, as elaborated in the Project Operational Manual, will govern the disclosure under other procurement and selection methods.

46. **Procurement Plan.** The borrower will develop a draft Procurement Plan for project implementation. The Procurement Plan will be updated annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

Table 3.5. Procurement Thresholds Applicable

Expenditure Category	Procurement Method/Threshold (US\$)	Procurement Method	Contracts Subject to Prior Review
1. Works	$\geq 7,000,000$ $> 200,000$ to $< 7,000,000$ $< 200,000$ n.a.	ICB NCB Shopping Direct Contracting	As per Procurement Plan As per Procurement Plan As per Procurement Plan All contracts
2. Goods	$> 1,000,000$ $> 100,000$ to $< 1,000,000$ $< 100,000$ n.a.	ICB NCB Shopping Direct Contracting	As per Procurement Plan As per Procurement Plan As per Procurement Plan All contracts

Goods and Non-consultant Services

Table 3.6. Procurement Methods Applicable

Ref No	Contract (Description)	Estimated Cost, US\$	Procurement Method	Review by World Bank (Prior/Post)	Expected Bid-Opening Date	Comments
1	Procurement of assorted ICT Equipment for all project components	220,000	Shopping	Post	June 2017	12 laptops, 10 desktops, 3 projectors, 1 server, 1 printer and software
2	Supply and Installation of HMIS Hardware and Software	1,200,000	ICB	Post	Feb 2018	SBD, BER to be reviewed for quality control
3	Procure specialist goods, equipment and software for MOHA	1,350,000	ICB	Post	Nov 2017	SBD, BER to be reviewed for quality control
4.	Procurement of assorted stationary	1,000	Shopping	Post	June 2017	
5.	Procurement of 2No. motor vehicles	93,000	Shopping	Post	June 2017	
6.	Procurement of assorted office furniture for al project components	66,000	Shopping	Post	June 2017	
7.	Supply and Installation of e-GP systems	3,300,000	ICB	Prior	Feb 2018	
8.	Supply and installation of	1,250,000	ICB	Post	Nov 2017	SBD, BER to

Ref No	Contract (Description)	Estimated Cost, US\$	Procurement Method	Review by World Bank (Prior/Post)	Expected Bid-Opening Date	Comments
	audit system					be reviewed for quality control
9.	Procurement of survey related goods and vehicle hire	320,000	Shopping	Post	Jan 2018/ Jan 2019	
	Total goods	7,800,000				

Selection of Consultants

47. **Prior review threshold.** Selection decisions subject to prior review by the World Bank as stated in appendix 1 to the Consultant Guidelines are as follows:

Table 3.7. Prior Review Thresholds

Expenditure Category (Consultants)	Selection Method Threshold (US\$, thousands)	Selection Method	Contracts Subject to Prior Review
(a) Firms	≥ 300 < 300 All values	QCBS (Section II of the Consultant Guidelines) and QBS CQS, LCS, FBS SSS	As per Procurement Plan As per Procurement Plan All contracts
(b) Individual	All values All values	IC Single Source of ICs	As per Procurement Plan All contracts

Note: QCBS = Quality- and Cost-Based Selection (Section II of the Consultants' Guidelines).

LCS = Least Cost Selection (Para. 3.6, of the Guidelines).

CQS = Selection based on Consultants' Qualifications (Para. 3.7 of the Guidelines).

IC = Individual Consultant.

In all cases irrespective of contract value and if a selection process will be subject to World Banks prior review or not, all TOR for consultant firms and ICs will be subject of review by the World Bank.

48. **Short list consisting entirely of national consultants.** Short list of consultants for services, estimated to cost less than US\$300,000 equivalent per contract, may consist entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Table 3.8. Consultancy Assignments with Selection Methods and Schedule

No	Description of Assignment	Estimated Cost, US\$	Selection Method	Review by World Bank (Prior/Post)	Expected Proposals Submission Date	Comments
1	Consultancy services for Survey Design and procedures manual/guidelines development for CSO	220,000	CQS	Post	May 2017	Shortlist, RfP, CER to be reviewed for quality control
2	Consultancy services for analytical work on SHIES and advice on CSO legal status	440,000	QCBS	Post	May 2017	Shortlist, RfP, CER to be reviewed for quality control
3	Consultancy services for analysis, reports drafting and dissemination of 1st and 2nd survey report for CSO	230,000	CQS	Post	April 2019	
4	Consultancy services for sampling design, listing operation, CAPI support, training for CSO	410,000	QCBS	Post	April 2019	Shortlist, RfP, CER to be reviewed for quality control
5	Consultancy services to conduct comprehensive assessment of current procedures for public investment projects, develop guidelines and system for investments and conduct training in project mgt and M&E for MEPD	1,390,000	QCBS	Post	June 2017	Shortlist, RfP, CER to be reviewed for quality control
6	Consultancy services to conduct PPP diagnostic, upgrade PPP policy and build capacity for PPP implementation	510,000	QCBS	Prior	June 2017	
7	Consultancy services to harmonize civil registration and immigration legal framework for MHA	160,000	CQS	Post	October 2017	
8	Review current HR Policy, HR Strategy and HR implementation plan for MoPS	150,000	CQS	Post	May 2017	
9	Consultancy services to SIMPA to assess the capacity for providing in-service training to Government	1,800,000	QCBS	Prior	May 2017	
10	Consultancy services to review training policy to provide systematic program for in-service training and develop training strategy and program for MoPS	100,000	CQS	Post	May 2017	

No	Description of Assignment	Estimated Cost, US\$	Selection Method	Review by World Bank (Prior/Post)	Expected Proposals Submission Date	Comments
11	Consultancy services to develop competency framework for SPPRA	250,000	QCBS	Post	May 2017	
12	Consultancy services to provide TA support to MOF, SPPRA and agencies	250,000	QCBS	Post	May 2017	
13	Consultancy services to conduct business process re-engineering and develop e-Gov Proc strategy	300,000	QCBS	Post	April 2017	
14	Consultancy services to conduct skills assessment , establishment reviews and develop schemes of service for procurement staff	340,000	QCBS	Post	Aug 2017	
15	Consultancy services to develop standard procurement documents, evaluation formats and SOPs for specialized proc and common use items	200,000	QCBS	Post	May 2017	
16	Conduct a value chain analysis to establish existing status incl skills, capacity and workload assessments and quantification of costs to Govt of inefficiencies in public procurement	150,000	CQS	Post	June 2017	
17	Consultancy Services to develop efficiency measurement tools	150,000	CQS	Post	Aug 2017	
18	IC to review existing legislation at MHA	90,000	IC	Post	May 2017	
19	IC to establish a professional development strategy and annual appraisal system for AGs office	25,000	IC	Post	May 2017	
20	IC to conduct organizational review of MHA	40,000	IC	Post	May 2017	
21	Project Coordinator	TBA	IC	Prior	Feb 2017	
22	Project M&E Officer	TBA	IC	Prior	Feb 2017	
23	Project Accountant	TBA	IC	Prior	Feb 2017	
24	Project procurement officer	TBA	IC	Prior	Feb 2017	
25	IC to upload all policy docs and strategies into system for PPCU	90,000	IC	Prior	May 2017	
26	IC to workout methodology/model for SDI computation for PPCU	15,000	IC	Post	May 2017	
27	IC to undertake on-the-job training for PPCU staff and Policy units on policy dev cycle and research for PPCU	285,000	IC	Post	June 2017	

No	Description of Assignment	Estimated Cost, US\$	Selection Method	Review by World Bank (Prior/Post)	Expected Proposals Submission Date	Comments
28	IC to Identify existing Policy units/structure in Ministries and assess capacity gaps in the performance of identified units	30,000	IC	Post	May 2017	
29	IC to conduct desktop research on existing public policy frameworks	32,000	IC	Post	May 2017	
30	IC to develop the advocacy and change management strategy for SPPRA	10,000	IC	Post	May 2017	
31	IC to develop procurement audits tools and conduct procurement audits in at least four ministries for SPPRA	10,000	IC	Post	June 2017	
32	IC to develop a Market Intelligence System including a price reference catalogue	30,000	IC	Post	June 2017	
33	ICs to perform a PEFA PFM Performance Assessment	125,000	IC	Post	Aug 2018	
34	Consultancy services to design and deliver a PFM capacity building program	350,000	QCBS	Post	Aug 2017	
35	Consultancy services to develop and implement structural and functional improvements in the Office of the Accountant-general	175,000	CQS	Post	July 2017	
36	Individual consultancy to development and implement a risk management framework in selected ministries	125,000	IC	Post	March 2017	
37	IC to assist with set-up and operationalization of the GoS Audit Committee	75,000	IC	Post	June 2017	
38	Consultancy services to design and deliver an Internal Audit capacity building program	250,000	CQS	Post	Oct 2017	
39	Consultancy services to design and deliver a SAI and PAC capacity building program	435,000	QCBS	Post	Sept 2017	Shortlist, RfP, CER to be reviewed for quality control
40	IC to enhance SAI support to the PAC	75,000	IC	Post	May 2017	
41	Recruitment of 120No. temporary data collectors, operators and supervisors for SHIES	1,280,000	IC	Post	March 2018/March 2020	120No. temporary data collectors, operators and supervisors

Environmental and Social (including safeguards)

49. As this is a purely TA project in the area of PFM reforms, the project does not trigger any World Bank safeguard policy.

Monitoring & Evaluation

50. The PST will be responsible for collecting and preparing M&E reports for the project. Implementing agencies will collect information against each activity and submit in report form to the PST. Key outcome indicators will be monitored primarily on the basis of data gathered as part of regular government activities. Progress would be measured with reference to baselines established at the start of the project. The project manager will regularly report to the PST progress on PDO indicators and intermediate outcome indicators in cooperation with the relevant MDAs.

Annex 4: Implementation Support Plan

Swaziland: Improving Public Sector Performance Project

Strategy and Approach for Implementation Support

1. **The strategy and approach for implementation support will draw from the good lessons and experience learned in PFM and PSM reforms in other countries.** The task team will be composed of technical experts with qualifications and experience in various key areas (that is, accounting and budgeting, internal controls, IFMIS and ICT, procurement, parliament, civil society, and nonstate actions, and project management). The World Bank team will focus on providing technical advice on institutional strengthening and timely execution of agreed reform actions and activities. During these support missions, the World Bank team will craft constructive partnership with the GoS and provide detailed and constructive recommendations for reaching or meeting practical and beneficial results. A MTR will be scheduled to adequately adjust project time lines in accordance with revised priorities as a result of unexpected changes in country environment. The World Bank's support will also be proactive but will be flexible. The implementation arrangements will respond to the identified issues through the following measures and arrangements:

- (a) **Limited experience with World Bank-financed projects.** The PST and other implementing agencies have limited experience with World Bank-supported projects. As a result, the counterpart agencies will be provided with targeted support, training, and a close and steady communication with the World Bank team on project implementation mechanisms and processes. The Government has been closely involved in the design and preparation of the project.
- (b) **Limited knowledge of the World Bank's fiduciary rules.** Before implementation, relevant staff from the GoS implementing agencies and the PST will receive training on the World Bank's procurement guidelines. The project will ensure that the recruited specialists for FM and procurement are provided complementary training on World Bank procedures. The FM and procurement specialists from the World Bank task team will be responsible to react to requests for support from the PCU and the GoS throughout the implementation period. Intense support will be provided during the initial stages of project implementation.

2. **The following specific provisions have been considered under the project to support implementation and guarantee sound fiduciary and M&E support:**

- (a) **Close supervision and support during the implementation period.** The GoS and the implementing agencies will be regularly advised by the TTL, co-TTL, sector specialist staff, consultants, and the fiduciary team based in the field. Implementation support missions and other short-term ad hoc missions will be conducted to provide necessary guidance to the implementing agencies. Short-term consultants will be engaged to support implementation as needed. This will allow for effective and efficient supervision and ongoing support to the Government.

- (b) **Procurement.** Procurement implementation support by the World Bank will include (i) providing training to the PST and other relevant staff; (ii) providing detailed guidance on the World Bank's Procurement Guidelines to the procurement officers; (iii) reviewing procurement documents and providing timely feedback to the procurement staff; (iv) recruiting senior international procurement advisors as needed to assist the PST and the relevant agencies; and (v) monitoring procurement progress against the Procurement Plan.
- (c) **FM.** The World Bank fiduciary team will (i) provide training to the PST, FM officers and the project team and (ii) regularly review the project's FM system and its adherence to the POM, including, but not limited to, accounting, reporting, and internal controls.
- (d) **M&E.** The World Bank will support capacity building in M&E by providing targeted training through World Bank staff and specialist international advisors recruited through the project.

Implementation Support Plan

3. **Implementation will be supported by the World Bank team through the following activities.** The main focus of implementation support is summarized in Table 4.1.

- (a) **General supervision inputs.** There will be two formal missions per year that will be complemented by regular visits made by field-based staff to respond to requests by the Government. The first implementation mission will take place immediately after effectiveness to provide direct feedback on the quality of project implementation plans and review progress made against the agreed risk mitigation actions. The first mission is expected to include the core task team and staff predominantly from the World Bank fiduciary teams, who are based on the ground and are in charge of day-to-day implementation support. Subsequent missions will have a stronger emphasis on technical implementation support.
- (b) **Fiduciary inputs.** Training will be provided by the World Bank's FM and procurement specialists before the beginning of project implementation. The World Bank team will continue to support the PST to identify capacity-building needs to strengthen overall project implementation, with an emphasis on fiduciary aspects. Formal supervision of project implementation and FM will be carried out semiannually or as needed, while procurement supervision will be carried out on time as required by the client.
- (c) **Technical implementation support.** Since the project involves a range of technically complex and sensitive reforms, a number of specialist consulting firms and international experts will be mobilized to support implementation and provide technical advice to the GoS. This specialized technical expertise will be embedded within the implementing agencies to provide support in strategic areas such as HRM, IFMIS, organizational redesign, payroll management, pay and grading, pension reforms, and civil service training. As part of project implementation, beneficiary

ministries will establish change management/reform teams comprising civil servants to work alongside these consultants. This will contribute to building capacity and reform ownership within the line ministries.

Table 4.1. Main Focus of Implementation Support

Time	Focus	Skills Needed	Resource Estimate	Implementing Agency Role
First six months	Support to implementing agencies to finalize work plans and Procurement Plans and begin implementation, including ensuring adequate resources and M&E capacity	Project management, payroll specialist, HRM specialist, M&E specialist, FM, and procurement specialists	Monthly discussions to review plans and progress; team of 4–5 specialists	Available to meet with World Bank staff to discuss plans and progress Ensure complete staffing of the PST and contracting of immediate consultancy needs
6–12 months	Quarterly discussions with beneficiaries to review progress and plans for the next cycle	Technical skills in main project component areas and ability to work with clients	Quarterly discussions to review plans and progress; team of 4–5 specialists	Available to meet with World Bank staff to discuss plans and progress and to provide monitoring data Completion of procurement activities for the first 24 months of the project
12–24 months	Quarterly discussions with beneficiaries to review progress and plans for the next cycle	Technical skills in main project component areas and ability to work with clients	Semiannual discussions to review plans and progress; team of 4–5 specialists	Available to meet with World Bank staff to discuss plans and progress and to provide monitoring data
Years 2–5	MTR	Project management; technical experts; and M&E, FM, and procurement specialists	Two-week mission; team of 6–8 specialists	Participating as observers to provide project information for evaluation of progress

Table 4.2. Task Team Skills Mix Requirement for Implementation Support

Skills Needed	Number of Staff Weeks (per year)	Number of Trips (per year)
TTL	36	4
Co-TTL	12	4
PSM specialist	12	4
Procurement specialist	10	4–6
FM specialist	12	4–6
M&E specialist	10	2–4

Annex 5: Summary of 2009 PFM Performance Indicators

PFM Performance Indicator ^a		Scoring Method ^b	Dimension Ratings ^c				Overall Rating	2007 Scores
			i	ii	iii	iv		
A. PFM-out-turns: Credibility of the budget								
PI-1	Aggregate expenditure out-turn compared to original approved budget	M1	A				A	A
PI-2	Composition of expenditure out-turn compared to original approved budget	M1	C				C	D
PI-3	Aggregate revenue out-turn compared to original approved budget	M1	C				C	A
PI-4	Stock and monitoring of expenditure payment arrears	M1	NS	D			NS	D+
B. Key cross-cutting issues: Comprehensiveness and transparency								
PI-5	Classification of the budget	M1	B				B	B
PI-6	Comprehensiveness of information included in budget documentation	M1	A				A	B
PI-7	Extent of unreported government operations	M1	A	D			D+	D+
PI-8	Transparency of intergovernmental fiscal relations	M2	A	B	D		B	C
PI-9	Oversight of aggregate fiscal risk from other public sector entities	M1	C	C			C	C
PI-10	Public access to key fiscal information	M1	B				B	C
C. Budget cycle								
C(i) Policy-based budgeting								
PI-11	Orderliness and participation in the annual budget process	M2	C	C	A		B	C+
PI-12	Multiyear perspective in fiscal planning, expenditure policy, and budgeting	M2	C	D	D	C	D+	D+
C(ii) Predictability and control in budget execution								
PI-13	Transparency of taxpayer obligations and liabilities	M2	C	B	C		C+	B
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	M2	D	C	D		D+	D+
PI-15	Effectiveness in collection of tax payments	M1	NS	B	D		NS	NS
PI-16	Predictability in the availability of funds for commitment of expenditures	M1	D	B	C		D+	D+
PI-17	Recording and management of cash balances, debt, and guarantees	M2	C	C	B		C+	C
PI-18	Effectiveness of payroll controls	M1	D	D	A	D	D+	C+
PI-19	Competition, value for money, and controls in procurement	M2	A	C	D		C+	D+
PI-20	Effectiveness of internal controls for nonsalary expenditure	M1	D	D	C		D+	D+
PI-21	Effectiveness of internal audit	M1	D	D	D		D	D+
C(iii) Accounting, recording, and reporting								
PI-22	Timeliness and regularity of accounts reconciliation	M2	D	D			D	D
PI-23	Availability of information on resources received by service delivery units	M1	D				D	NS
PI-24	Quality and timeliness of in-year budget reports	M1	C	A	C		C+	D
PI-25	Quality and timeliness of annual financial statements	M1	C	A	C		C+	D+
C(iv) External scrutiny and audit								
PI-26	Scope, nature, and follow-up of external audit	M1	C	C	C		C	D+

PFM Performance Indicator ^a		Scoring Method ^b	Dimension Ratings ^c				Overall Rating	2007 Scores
			i	ii	Iii	iv		
PI-27	Legislative scrutiny of the annual budget law	M1	C	B	B	B	C+	D+
PI-28	Legislative scrutiny of external audit reports	M1	B	A	B		B+	C+
D. Donor practices								
D-1	Predictability of direct budget support	M1					NS	NS
D-2	Financial information provided by donors for budgeting and reporting on project and program aid	M1					NS	NS
D-3	Proportion of aid that is managed by use of national procedures	M1					NS	NS

Note: a. The measurement of the scores in this annex follows closely the PEFA Guidelines (see www.pefa.org for a description of the calibration of scores for each indicator). For indicators with more than one dimension, a separate score is given for each dimension, and the overall score for the indicator is shown in bold as an ‘overall rating’ following the prescribed scoring methodology.

b. Scoring method M1 is used for indicators where poor performance on one dimension of the indicator is likely to undermine the impact of good performance of other dimensions of the same indicator. Scoring method M2 is used where a low score on one dimension of the indicator does not necessarily undermine the impact of a high score on another dimension of the same indicator.

c. Each indicator includes one or more dimensions. A separate score is given for each dimension. Where there is more than one dimension, the overall score for the indicator is arrived at by combining the dimension ratings according to the prescribed methodology (M1 or M2) for the indicator.