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PROJECT PAPER

ON A

PROPOSED ADDITIONAL GRANT

IN THE AMOUNT OF US $ 1.3 MILLION
TO THE

REPUBLIC OF SOUTH SUDAN

FOR THE

MDTF- SOUTH SUDAN

CORE FIDUCIARY SYSTEMS SUPPORT PROJECT

February 28, 2012

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ABBREVIATIONS AND ACRONYMS

AF	Additional Financing
CFSSP	Core Fiduciary Systems Support Project
GRSS	Government of the Republic of South Sudan
ISDS	Integrated Safeguards Data Sheet
MDAs	Ministries, Departments and Agencies
MDTF-SS	Multi-Donor Trust Fund for South Sudan
MoFEP	Ministry of Finance and Economic Planning
PFMU	Project Financial Management Unit
PDO	Project Development Objective
SS	South Sudan
SSAC	South Sudan Audit Chamber

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SOUTH SUDAN

Core Fiduciary Systems Support Project (P098639)

P098639

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SOUTH SUDAN
CORE FIDUCIARY SYSTEMS SUPPORT PROJECT

ADDITIONAL FINANCING DATA SHEET

Basic Information - Additional Financing (AF)	
Country Director: Deborah Bella Bird Sector Manager/Director: Renaud Seligmann Team Leader: Adenike Sherifat Oyeyiola Project ID: P098639 Lending Instrument: Grant Additional Financing Type: Grant	Sectors: AFTF Environmental category: C Expected Closing Date: 09/30/2012
Basic Information - Original Project	
Project ID: P098639 Project Name: Core Fiduciary Systems Support Project Lending Instrument: Grant	Environmental category: C Expected Closing Date: 09/30/2012
AF Project Financing Data	
[ ] Loan [ ] Credit [X] Grant [ ] Guarantee [ ] Other:	
AF Financing Plan (US$m)	
Source	**Total Amount (US $m)**
Total Project Cost: Cofinancing: Borrower:	 **1.3** **0**
Client Information	
Recipient: Ministry of Finance and Economic Planning, Republic of South Sudan **Responsible Agency:** Ministry of Finance and Economic Planning, Republic of South Sudan	

AF Estimated Disbursements (Bank FY/US$m)						
FY 2012	1.3					
Annual	1.3					
Cumulative	1.3					

Project Development Objective and Description
Original project development objective: To put in place a robust framework for channelling of MDTF and GRSS counterpart funds to provide reasonable assurance regarding the use of these funds. Revised project development objective *[if applicable] Not Applicable*
Safeguard and Exception to Policies

Safeguard policies triggered: Environmental Assessment (OP/BP 4.01) Natural Habitats (OP/BP 4.04) Forests (OP/BP 4.36) Pest Management (OP 4.09) Physical Cultural Resources (OP/BP 4.11) Indigenous Peoples (OP/BP 4.10) Involuntary Resettlement (OP/BP 4.12) Safety of Dams (OP/BP 4.37) Projects on International Waterways (OP/BP 7.50) Projects in Disputed Areas (OP/BP 7.60)	 [ ]Yes [X] No [ ]Yes [X] No [ ]Yes [X] No [ ]Yes [X] No [ ]Yes [X] No [ ]Yes [X] No [ ]Yes [X] No [ ]Yes [X] No [ ]Yes [X] No [ ]Yes [X] No
Does the project require any waivers of Bank policies? Have these been endorsed or approved by Bank management?	[ ]Yes [X] No [X]Yes [ ] No

Conditions and Legal Covenants:		
Financing Agreement Reference	Description of Condition/Covenant	Date Due

CORE FIDUCIARY SYSTEMS SUPPORT PROJECT (P098639)

RESTRUCTURING PAPER

I. Introduction

1. The proposed restructuring is for additional financing of US $ 1.3 million to support the external audit component of the project in the audit of MDTF and Republic of South Sudan financial statements. This would enable the project support all MDTF projects in implementation and closure of project activities. In September 2010, the project sought and obtained an extension to the project's closing date from June 30, 2011 to September 31, 2012; use funds from procurement component financed under additional financing (TF097653) to support expenditures related to accounting and auditing components which were originally financed under the original grant (TF56336) as well as update of the project's results framework. The Grant Agreement for TF097653 was amended to suitably reflect this change.

2. The project's development objective continues to be achievable, the performance of the borrower and project implementing agency is satisfactory and an action plan acceptable to the Bank has been prepared by the borrower to complete the project.

II. Background and Rationale for Additional Financing in the amount of USD $ 1.3 million

3. The Core Fiduciary Systems Support Project (CFSSP) was approved on February 21, 2006 for an original amount of US$8.147 million. GRSS counterpart fund contribution is US$3 million. The project was designed to put in place a robust framework for channeling of MDTF-SS and GoSS counterpart funds to provide reasonable assurance regarding the use of these funds. An additional financing (TF097653) of US$3 million was approved by the Oversight Committee of the MDTF-SS in September 2010, with the same Project Development Objective (PDO) and closing date as the parent project at the time of the additional financing. The original grant focused on accounting and auditing components, while the additional financing focused on accounting, auditing and procurement component. All funds under the two grants have been fully disbursed.

4. The project's original closing date of November 30, 2008 was extended twice, first to June 30, 2011 and then to September 30, 2012 to enable it provide fiduciary support in auditing and accounting to projects that were still under implementation.

PROJECT STATUS

5. The performance of the project is rated satisfactory. 100 percent of the original grant of US$8.1 million and additional financing of US$3 million has been disbursed. All GRSS contribution of US$3 million has been fully disbursed. The progress towards achieving of PDO and overall implementation progress are satisfactory. Quarterly bank reconciliations and Statement of Sources and Application of Funds are prepared according to established standards; annual audits are prepared for all MDTF-SS and Bank projects as well as GRSS accounts; and efforts are on-going to ensure that the Ministries, Departments and Agencies carry out their procurements based on laid down guidelines. Financial Management and procurement are rated satisfactory and there is no outstanding audit or financial reports. There is no change to the existing financial management and disbursement arrangements for the two grants.

6. The project has three components (parent plus AF)

a. The accounting component which supports GRSS in project accounting and disbursements for all MDTF projects is progressing well and the quarterly and annual financial reports are regularly prepared. It would need to be on-going to provide accounting support and produce financial statement for all projects in the MDTF portfolio after their closure.

b. The Auditing component which supports the Audit Chamber in institutional strengthening and audit of GRSS and MDTF Accounts is progressing well and all MDTF audits are up to date. Audits of GoSS and MDTF financial statements for years ended December 31, 2009 is in progress and 2010 is expected to commence soon.

c. The procurement component supports GRSS with the services of Procurement Agents and strengthening the Procurement Policy Unit in MoFEP. With the end of the contract of the Procurement Agent, an individual consultant as been engaged as a Procurement Advisor to support the Procurement Unit.

d. There is no change in the PDO or results framework.

III. PROPOSED CHANGES

7. The proposed change is additional financing of US$1.3 million under TF097653 to support the external audit component of the project in the audit of MDTF and Republic of South Sudan financial statements.

8. Costs by component

Component	Original Cost	Change with AF	Revised cost
Project Accounting	2.6	0	2.6
Auditing	6.5	1.3	7.8
Procurement	2.0	0	2.0
Total budget	**11.1**	**1.3**	**12.4**

APPRAISAL SUMMARY
IV. Appraisal Summary

Economic and Financial Summary

7. The GOSS was established in 2006, after the more than 20 years of devastating conflict. With the independence in July 2011, the name changed to GRSS. The capacity and resource of GRSS for providing primary health care and emergency services to its citizens has been severely limited. GRSS has been struggling with budget credibility problems, illustrated by large deviations of actual spending from plans.

8**. Technical:** The project design remains the same and supports accounting, auditing and procurement functions of GRSS.

Fiduciary

9. South Sudan is building its fiduciary system. The financial management arrangements for the project are designed to address the country's post-conflict situation and with the objective of building

sustainable management. The system seeks to facilitate sound and prompt disbursements and use project resources and funds to ensure effective implementation. There are no changes to the financial management and procurement arrangements for the project.

10. **Procurement Arrangements:** The additional financing involves retention of an international audit firm, engaged on the basis of international competition. The recruitment was carried out through the use of the quality and cost based selection (QCBS) procedures stated in sections 2.1-2.31 of the Bank Consultant Guidelines.

11. **Financial Management Arrangements:** This is a high risk – high reward operation in a weak fiduciary environment. A detailed financial management assessment had been carried out at project inception. Necessary fiduciary framework has been put in place to reduce the risk to an acceptable level for both GRSS and the MDTF including use of a Monitoring Agent (MA) for the MDTF who monitors actual expenditures and ensures compliance with fiduciary standards; a Project Financial Management Unit (PFMU) responsible for ensuring proper accounting and reporting of transactions ; and a Procurement Agent (PA) to ensure that procurement is conducted in a transparent and accountable manner, and in line with MDTF requirements.

12. **Safeguard**s: An Environmental and Social Assessment Framework (ESAF) for MDTF Investments in Southern Sudan has been finalized and approved by the Directorate of Environment in the Ministry of Housing, Physical Planning and Environment and shared with all major GRSS sectors.

13**. Social Issues:** There are a number of post conflict issues such as a lack of government institutions, procedures, legally defined rights, continuing conflicts in some areas, grievances arising from perceived lack of inclusiveness and equity that have the potential to undermine project activities and affect the distribution of goods procured under this project to the end users. Social risks largely arising from differential access to benefits, traditional rights and entitlements, adequacy of targeting mechanisms, and varying public perception of benefits will be addressed through continuous monitoring of agreed social indicators. For this particular project there are no social issues.

14**. Environmental Issue*:*** There is no environmental issue in the project.

15. **Policy Exceptions**: The Project does not seek any policy exceptions.

ANNEX 1:
Results Framework and Monitoring
SUDAN: CORE FIDUCIARY SYSTEMS SUPPORT PROJECT (P098639)

Revisions to the Results Framework		**Comments/ Rationale for Change**
PDO		
Current (PAD)	*Proposed*	
To put in place a robust framework for channeling of MDTF-SS and GRSS counterpart funds to provide reasonable assurance regarding the use of these funds.	No change	
PDO indicators		
Current (PAD)	*Proposed change**	
Quarterly bank reconciliations done according to established standards (number)	No change	
Quarterly statements of Sources and Application of Funds done according to established standards (number)	No change	
Annual project audits completed (number	No change	
Annual GRSS audits completed (number)	No change	
MDAs that follow Procurement as laid down in guidelines(number)	No change	
Intermediate Results indicators		
Current (PAD)	*Proposed change**	
Project Accounting Agent/Project financial Management Unit Appointed	No change	
External Audit Agent Appointed	No change	
Oversight of public procurement by MoFEP; and MDAs accountable for their procurement (yes/no)	No change	
Procurement agent is providing support to the Policy Unit in MoFEP (yes/no)	No change	
Training of key MDAs on Contracts Monitoring and Commitment Control System	No change	
PFMU accounts for MDTF and Counterpart Funds (number)	No change	
Preparation of quarterly IFRs (number)	No change	
Draft Audit Legislation and Codes of Conduct in place (yes/no)	No change	
MDAs with-up-to-date Procurement Plans in place and implemented according to plan (number)	No change	

*** Indicate if the indicator is Dropped, Continued, New, Revised, or if there is a change in the end of project target value**

PROJECT M&E ARRANGEMENTS

Project Development Objective (PDO): To put in place a robust framework for channeling of MDTF-SS and GRSS counterpart funds to provide reasonable assurance regarding the use of these funds.

Click here to enter the revised PDO of your operation

PDO Level Results Indicators[1]	Core	Unit of Measurement	Baseline Original Project Start (200x)	Progress To Date (2011)[2]	Cumulative Target Values[3]				Frequency	Data Source/ Methodology	Responsibility for Data Collection	Comments
					2012							
1. Quarterly bank reconciliations done according to established standards (number)	☐	number	0	18 per quarter	18 per quarter				quarterly	Financial reports and mission reports	Project Coordinator/Undersecretary MoFEP	
2. Quarterly statements of Sources and Application of Funds done according to established standards (number)	☐	number	0	18 per quarter	18 per quarter				quarterly	Financial reports and mission reports	Project Coordinator/Undersecretary MoFEP	
3. Annual project audits completed (number)	☐	number	0	18	18				annual	Audit reports	Auditor General	
4. Annual GRSS audits completed (number)	☐	number	0	4	6				annual	Audit reports	Auditor General	
5. MDAs that follow Procurement as laid down in guidelines(number)	☐	number	0	6	8				annual	Procurement Agent's Technical Assistant report	Director General Procurement/Undersecretary MoFEP	

[1] **Please indicate whether the indicator is a Core Sector Indicator (see further http://coreindicators)**

[2] **For new indicators introduced as part of the additional financing, the progress to date column is used to reflect the baseline value**

[3] **Target values should be entered for the years data will be available, not necessarily annually. Target values should normally be cumulative. If targets refer to annual values, please indicate this in the indicator name or in the "Comments" column.**

Intermediate Results and Indicators									
Intermediate Results Indicators	**Core**	**Unit of Measurement**	**Baseline Original Project Start (2006)**	**Progress To Date (2011)**	**Target Values 2012**	**Frequency**	**Data Source/ Methodology**	**Responsibility for Data Collection**	**Comments**
Intermediate Result 1: Accounting Component									
1. Project Accounting Agent/Project financial Management Unit Appointed (yes/no)	☐	Yes/No	No	Yes	Yes	once	Financial reports and mission reports	Project Coordinator/Undersecretary MoFEP	
2. PFMU accounts for MDTF and Counterpart Funds (number)	☐	number	0	18	18	Quarterly	Financial reports and mission reports	Project Coordinator/Undersecretary MoFEP	
3. Preparation of quarterly IFRs (number)		number	0	18	18	Quarterly	Financial reports	Project Coordinator/Undersecretary MoFEP	
Intermediate Result 2: Auditing Component									
4. External Audit Agent Appointed (yes/no)	☐	Yes/No	No	Yes	Yes	Once	Audit reports	Auditor General	
5. Draft Audit Legislation and Codes of Conduct in place (yes/no)	☐	Yes/no	No	Yes	Yes	once	Audit Legislation	Auditor General	
Intermediate Result 3: Procurement Component									
6. Oversight of public procurement by MoFEP; and MDAs accountable for their procurement (yes/no)	☐	Yes/No	No	Yes	Yes	Annual	Procurement Agent's Technical Assistant report	Director General Procurement/Undersecretary MoFEP	
7. Procurement agent is providing support to the Policy Unit in MoFEP (yes/no)	☐	Yes/No	no	Yes	yes	daily	Procurement Agent's Technical Assistant report	Director General Procurement/Undersecretary MoFEP	
8. Training of key MDAs on Contract Monitoring and Commitment Control Systems	☐	number	0	0	5	once	Mission report	Director General Procurement/Undersecretary MoFEP	
9. MDAs with-up-to-date Procurement Plans in place and implemented according to plan	☐	number	0	6	6	annual	Procurement Agent's Technical Assistant report	Director General Procurement/Undersecretary MoFEP	

Annex 2

Operational Risk Assessment Framework (ORAF)
REPUBLIC OF SOUTH SUDAN: Core Fiduciary Systems Support Project

1. Project Stakeholder Risks	**Rating**	**Substantial**		
Description: (1.1) Political Stakeholders Changes in political stakeholders in MoFEP and the Audit Chamber could impact on implementation and commitment.	**Risk Management**: The Bank team will continue to work with MoFEP and the Audit Chamber as well as other related government Agencies with a view to strengthening their commitment to the project, and enhancing accountability and transparency.			
	Resp: Recipient/Bank	**Stage: implementation**	**Due Date : 09/30/2012**	**Status: Ongoing**
1.2 *Recipient relations and development partners' relations* (i) Borrower relations and development partners' relations do not represent risks; (ii) The project would not be able to provide support to all potential beneficiaries, for instance, the States, with the risk that they may feel being left out.	**Risk Management: (i)** The team will continue to build synergies and complementarities with other donors' particularly USAID, AfDB and CBTF by Joint Donor Office. (ii) The project is expected to build the capacity of GRSS and this would have a likely positive impact of accountability in the States.			
	Resp: Recipient/Bank	**Stage: Implementation**	**Due Date:9/30/2012**	**Status: Ongoing**
2. Implementing Agency Risks (including fiduciary)				
2.1. Capacity	**Rating: High**			
Description: FM systems are still undeveloped particularly at the Ministry level. Capacity is low to prepare budgets that lay down physical and financial targets in sufficient detail to monitor subsequent performance and to properly account and report on funds utilization.	**Risk Management:** (i) The PFMU which is financed as a component of the project is responsible for Financial Management. The Audit Chamber would audit the project activities with support from an External Audit Agent (EAA); (ii) Robust action plans would be developed from the on-going Integrated Fiduciary Assessment to support the PFM systems in the country			
	Resp: Recipient/Bank	**Stage: Implementation**	**Due Date : 09/30/2012**	**Status: Ongoing**
2.2. Governance	**Rating:**	**High**		
Description: Ownership and commitment is evolving. Recent presentation of Audited Financial Statement for 2005 & 2006 to National Legislative Assembly indicated some substantial cases of	**Risk Management:** (i) The project support reforms and capacity building to strengthen PFM (including auditing and accounting) and procurement systems at GRSS level. Whilst these may not eliminate corruption and fraud, it would help to minimize the opportunities for corruption and fraud. (ii) Procurement and FM specialists recruited under the program			

fraudulent practices. Recent and past incidents of corruption and fraud at both GRSS and state level make this risk high.	will ensure compliance of all contracts to the WB guidelines.			
	Resp: Recipient/Bank	**Stage: Implementation**	**Due Date : 09/30/2012**	**Status: Ongoing**
3. Project Risks				
3.1. Design	**Rating:**	**High**		
Description: The project was designed to be overly ambitious in South Sudan's extremely disadvantaged operating environment (no government existence prior to the program).	**Risk Management:** The program created more focus on accountability and transparency and building capacity of MoFEP and Audit Chamber.			
	Resp: Recipient/Bank	**Stage: Implementation**	**Due Date :09/30/2012**	**Status: Ongoing**
3.2. Social & Environmental	**Rating:**	**Not Relevant**		
Description: Project is a Category C Project. On a general note, There are no firmed legal and institutional frameworks in the country to ensure compliance with World Bank safeguard policies triggered.	**Risk Management:** An Environmental and Social Assessment Framework (ESAF) for MDTF Investments in Southern Sudan has been finalized and approved by the Directorate of Environment in the Ministry of Housing, Physical Planning and Environment and shared with all major GRSS sectors.			
3.3. Program & Donor	**Rating:**	**Not Relevant**		
Description: No risk anticipated. The project is 100% MDTF financed.	**Risk Management: Not Relevant**			
3.4. Delivery Monitoring & Sustainability	**Rating:**	**Substantial**		
Description: The monitoring and sustainability will depend on the systems put in place under the program and financing after the closure of MDTF in June 2011.	**Risk Management:** (i) The project will make significant investments in procurement capabilities of the MoFEP including facilitating and decentralizing the public procurement function to MDAs. (ii) capacity building for the national staff in the Audit Chamber			
	Resp: Recipient/Bank	**Stage: Implementation**	**Due Date : 11/2011**	**Status: Ongoing**
Overall Risk Following Review: Substantial				
Implementation Risk Rating: Substantial				
Comments: The project is almost complete and significant proportion of the PDO is being achieved.				

Annex 3: Revised estimate of project costs

Reallocation of Proceeds

Table 1: Proceeds for South *Sudan*, CORE FIDUCIARY SYSTEMS SUPPORT PROJECT – ADDITIONAL FINANCING GRANT TF097653, *P098639* will be reallocated as follows:

Category of Expenditure		**Allocation**		**% of Financing**		
Current	Revised	Current US$'m	Revised US$'m	Current	Revised	Actual Expenditure US$'m
Procurement	Procurement	1.85	2.0	62	46	1.70
	Accounting	0.85	0.3	28	8	0.30
	Auditing	0.30	2.0	10	46	0.70
		3.00	4.30			2.70

Table 2: Financing for South *Sudan*, CORE FIDUCIARY SYSTEMS SUPPORT PROJECT P098639; TF56336 **Original Grant**

	Project Costs (US$m.)		
Components/Activities	Current Allocation US$'m	Disbursed US$'m	Actual Expenditure US$'m
Accounting	2.3	2.3	2.3
Auditing	5.8	5.8	5.8
Total	**8.1**	**8.1**	**8.1**