Report Number : ICRR0021281

1. Project Data

Project ID P149884	**Project Name** CF- Emergency Public Services Resp. Proj	
Country Central African Republic	**Practice Area(Lead)** Governance	**Additional Financing** P154304,P154304,P158989,P158989
L/C/TF Number(s) IDA-54370,IDA-D0530,IDA-H9400	**Closing Date (Original)** 12-Dec-2015	**Total Project Cost (USD)** 39,041,337.46
Bank Approval Date 24-Apr-2014	**Closing Date (Actual)** 31-Dec-2017	

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	30,000,000.00	0.00
Revised Commitment	39,753,046.58	0.00
Actual	39,428,673.46	0.00

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

a. Objectives

As stated in the Financing Agreement (p. 5), the project's objective was "to re-establish an operational government payroll and related financial management systems."

At an Additional Financing (AF) in May 2015, some outcome targets were revised upward to reflect additional resources and time, and one outcome target (direct project beneficiaries) was revised downward because ghost workers on the civil service payroll had been eliminated. As the changes in outcome targets were commensurate with the AF and were met, a split rating is not necessary.

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

Yes

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

Yes

Date of Board Approval

30-Apr-2015

c. Will a split evaluation be undertaken?

No

d. Components

The project contained two components:

1. Payment of current salaries (appraisal, US$ 26.8 million; AF US$ 7.2 million; actual US$ 32.0 million). This component was to provide support to the government to pay civil service salaries in civilian sectors (excluding the security forces and police) for six months (May through August 2014, June 2015, and September 2015). It included two subcomponents, on updating human resources and payroll databases, and paying current salaries to civil servants who were re-authenticated as being validly on the payroll through the receipt of a "presence certificate" for each staff member. To expedite this process, a payroll clean-up was to be processed through the United Nations Development Program (UNDP, which had prior experience in the country's payroll systems) prior to Board approval. The database updates were to allow for elimination of ghost workers and reclassification of retirees in the appropriate pension database. At the 2015 AF, acquisition and deployment of a customized and integrated human resources management system and an additional two months of salary payments were added. At a 2016 restructuring, following US$ 2 million in savings from cleaning of personnel databases, funds were reallocated to the second component to finance additional technical assistance.

2. Technical assistance to core structures in the Ministries of Finance and Civil Service (appraisal, US$ 3.2 million; AF US$ 2.8 million; actual US$ 8.0 million). This component was to support the re-establishment of government capacity for budget execution and control of revenue generated by various ministries, departments, and agencies. It was to equip core Ministry of Finance (MoF) and Ministry of Civil Service structures with capacity for improved revenue collection, Treasury management, budget execution, and transparency. It included three subcomponents: technical assistance to several MoF structures (Customs, Taxes, Treasury and Public Accounts, Budget and Information Systems, Payroll, and the General Inspectorate of Finance) and the Civil Service Directorate of the Ministry of Civil Service; equipment support for strengthening the institutional capacity of the directorates of customs and taxes; and support to the public financial management reform unit (the country's entity in charge of coordinating economics and public financial management reforms). The 2015 AF continued and scaled up technical assistance to the originally covered institutions. At the 2016 restructuring, technical assistance was added in the areas of

public investment management, domestic revenue mobilization, upgrading of the computerized budgeting and accounting system, and external oversight; as a result, new beneficiaries were added: the directorate of the Ministry of Economy in charge of public investment management, the National Information Technology office, and the Supreme audit institution.

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

Costs: Estimated project costs were US$ 30 million. Actual costs were US$ 40 million. At a 2016 restructuring, US$ 2 million was shifted from the first to second component, allowing savings from cleaning of the human resources and payroll databases to be used to finance additional technical assistance.

Financing: The project was financed by an initial International Development Association Credit of US$ 6.1 million and Grant of US$ 23.9 million. An AF Grant of US$ 10 million was approved in May of 2015. The Credit and Grants fully disbursed. The United Nations Development Program (UNDP) pre-financed a census prior to project effectiveness (and was reimbursed shortly thereafter) to allow for rapid cleaning of human resources and payroll databases and immediate launch of salary payments.

No Borrower contribution was anticipated or made.

Dates: The project was approved on April 24, 2014 and became effective on May 12, 2014. AF was approved as part of a restructuring on May 19, 2015 that added activities as described above in Section 2d, revised the results framework, and extended the closing date from December 12, 2015 to December 31, 2017. The mid-term review took place in July 2016. A September 15, 2016 restructuring reallocated funds between components. The project closed on December 31, 2017.

3. Relevance of Objectives

Rationale

Following high levels of political instability dating back to the late 1990s and a near collapse of the state in the previous decade, CAR put in place an elected and inclusive government in January 2014 backed by the international community. However, public institutions remained weak, with provision of basic public services ineffective throughout the country. The stabilization of government finances as well as the payment of civil service salaries were critical to restoration of confidence in legitimate state structures. As of March 2014, the government had accumulated five months of salary arrears and fifteen months of unpaid pensions and invoices from suppliers; due to economic collapse, revenues were insufficient to cover basic needs. In response, the International Monetary Fund (IMF), World Bank, European Union, France, African Development Bank, UNDP, Angola, and Republic of Congo combined to fill in the fiscal financing gap in 2014. The project was highly relevant to this country context, complementing other donor interventions by financing salaries for non-security sector staff and supporting a targeted technical assistance program focused on revenue collection, basic expenditure management, and payroll cleanup. The objectives were also highly relevant to the government's emergency program, adopted in 2013 by the National Transitional Council, with cross-cutting themes related to the re-deployment of public administration and improvement of public finances. The project was a core element of a Bank pledge of US$ 100 million of recovery support to the country as presented to the Board on January 21, 2014, and as such was integral to Bank strategy at appraisal.

The objective remained highly relevant to Bank strategy at closing. The Country Engagement Note (CEN) for 2016-2017 (the most recent strategy document) focused on support to the stabilization effort and preliminary activities to support recovery and development. Re-establishing the government payroll and related financial management systems were central to the CEN's priorities of restoring core public institutions and providing basic support to livelihoods and basic services (through the resumption of work by civil servants).

Rating
High

4. Achievement of Objectives (Efficacy)

Objective 1

Objective
Re-establish an operational government payroll and related financial management systems

Rationale
The Project Appraisal Document (PAD, p. 10) defined an "operational" government payroll system as one in which monthly salaries of eligible civil servants, especially those in the education and health sectors, were processed in a timely manner; and where only individuals who were both validly on the civil service payroll and have reported for duty would be considered "eligible." An "operational" financial management system was defined as one in which basic functions -- customs, taxes, and cash management systems for the collection and management of domestic revenues -- had core staff in place, essential equipment available, and key reports produced on a regular basis. The project's theory of change linked these outcomes to the project's key activities: updating human resources and payroll databases, financing of current salaries of civil servants upon production of a presence certificate (in order to incentivize them to resume work in their established positions), and technical assistance for strengthening the revenue-generating directorates and re-establishing basic control over the expenditure chain and cash management. The AF and restructuring progressively shifted the project from purely emergency assistance (payment of salaries) toward regular technical assistance.

Outputs:

Databases were cleaned, including primarily through UNDP-financed census operations that allowed for the elimination of retired, dead, or absent civil servants. The personnel and payroll databases were reconciled. 2,873 non-eligible (decreased, retired, etc.) civil servants were removed from the payroll, exceeding the target of 1,400. The percentage of civil servants whose human resources data were updated on the payroll increased from zero in 2014 to 80% in 2017, exceeding the target of 70%. An integrated human resources management system, allowing for automated salary management and human resources processing, was implemented, although issues with connectivity and electricity availability limit its ongoing access and operation. Eight payroll audits were conducted, exceeding the original target of two audits and meeting the revised target of eight. A grievance and redress mechanism was implemented to manage complaints related to the census and cleaning operation.

Salaries for eligible civil servants in the non-security sectors were paid for six months, exceeding the target of four months. (Salaries for security staff were covered by the government and UNDP.) Salary arrears were cleared.

Four supported directorates in the MoF (civil service, tax administration, customs administration, and Treasury) re-established basic functions with technical assistance from the project, exceeding the original target of three directorates and meeting the revised target of four. The tax code was revised to eliminate some exemptions, introduce some new taxes, revise some rates to create fiscal space, and revise some sanction provisions. Several fiscal sectoral studies were conducted to identify arrears and inefficiencies in tax collection. Support to the customs administration included simplifying and automating procedures, reinforcing anti-fraud work, improving customs control, and rationalizing exemptions. Customs offices around the country were re-opened. Training was provided to tax administration, customs, and Treasury staffs. Customs revenues increased from CFA 17 billion in 2013 to CFA 52 billion in 2017. 89% of central government accounts were centralized in the Single Treasury Account, exceeding the target of 60%. The backlog of annual financial statements from the Treasury Directorate declined from six in 2014 to zero in 2017, exceeding the target of three. The Supreme Audit Institution's 2017 annual report was finalized and approved, but it was not published as planned. The ICR (pp. 16, 17) noted that staff capacity and retention continue to present challenges; 133 out of 378 customs agents, for example, were reported in 2016 not to have professional credentials for customs operational work. Overall, according to the ICR (p. 25), the technical assistance activities added at restructuring were "too ambitious for an emergency project"; these included the implementation of performance management for revenue administration and outputs related to public investment management, which were not undertaken as planned.

<u>Outcomes:</u>

The number of civil servants being paid was 17,765 at baseline in 2014. The original target was 18,600, but this target was revised to 17,000 at the 2015 restructuring to exclude newly recruited staff and security sector staff. Actual achievement at closing was 15,902.

The number of days elapsed between planned payday and actual payday decreased from 30 in 2014 to 0 in 2017, exceeding the original target of 15 and the revised target of 10.

The percentage of staff from the Customs Directorate who resumed work increased from 10% in 2014 to 98% in 2017, exceeding the target of 80%, though the ICR noted that the exact number continues to vary with the security situation. The percentage of teachers who resumed work in the districts where security has improved increased from zero in 2014 to 89.42% in 2017, exceeding the original target of 30% and the revised target of 60%, though the ICR noted that the varying security situation changes the definition of the districts where security has improved. The same is true for health workers, where the percentage who resumed work in districts where security has improved increased from zero in 2014 to 86.7% in 2017, exceeding the original target of 30% and the revised target of 60%. Due to the absence of banking networks outside Bangui, civil servants from some remote districts have to travel to the capital to collect their salaries, leading at times to lengthy absences from duty stations and resulting gaps in delivery of public services. Furthermore, incidents of violence, including attacks on civil servants, have been reported even in districts considered to be stabilized, also impacting services.

The ratio of public sector wages and salaries to gross domestic product decreased from 7.1% in 2014 to 5.2% in 2017, almost reaching the target of 5%. The public wage bill increased by 0.24% between October 2014 and October 2017, compared with an annual average increase of 7% prior to the project.

The level of tax revenue was estimated to have reached 90% of its pre-2012 level as of project closing, after having reached a low of 42% in 2014 (prior to the project). The ratio of revenue recorded at the Customs Directorate to revenue collected from commercial banks reached 98.58%, not quite reaching the target of 100%. The ratio of revenue recorded at the Tax Directorate to revenue collected from commercial banks reached 98.8%, also not quite reaching the target of 100%. However, the country still has one of the lowest tax-to-GDP ratios in the world, at 6.5%.

Rating

Substantial

Rationale

Despite ongoing challenges related to capacity and security, the project achieved its limited emergency objective of re-establishing an operational payroll and financial management systems. The cleaning of payroll databases and resumption of salaries have brought civil servants back to work, and basic operational financial management systems have been put in place.

Overall Efficacy Rating
Substantial

5. Efficiency

The PAD did not carry out an economic and financial analysis, "given the fragility in the country and the uncertainty of determining costs and benefits" (p. 20). It made general statements about likely benefits savings in the civil service salary bill would create in terms of fiscal space for the government to cover other recurrent costs, allowing the resumption of basic services; this would in turn enable the government to implement reforms that were prerequisite to collecting enough tax revenue to cover operating costs; the participation of other donors would ensure payment of salaries over a longer period of time while the government was fully engaged in stabilizing the economy; and regular salary payments would directly benefit over 30,000 households, boosting aggregate demand and facilitating economic recovery.

The ICR (pp. 44-46) estimated a gain in fiscal space from wage bill savings and increased revenue collection of US$ 173.6 million over four years, resulting in a Net Present Value of US$ 113.5 million at a 5% discount rate over the period 2014-2017. No economic rate of return was presented. For each project dollar invested, the return in additional revenue and savings was estimated at US$ 4.40. The assumptions used were clearly stated and reasonable. The ICR (p. 18) noted that these calculations did not include benefits from increased aggregate demand due to the resumption of salaries or from re-establishment of operational public services. Project administration was efficient, though human resource issues remained a challenge throughout implementation (ICR, p. 25).

The choice of investment project financing to cover government salaries was unusual but warranted given the emergency, low-capacity context. The complementarity of salary and capacity support allowed for flexibility, with efficiencies realized when savings from cleaning of the human resources and payroll databases were used to finance additional technical assistance.

Efficiency Rating
Substantial

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

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

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

6. Outcome

The project's objective was highly relevant to the emergency context, country strategy, and Bank strategy. The objective was substantially achieved, as payroll systems and basic public financial management operations were restored to functionality. Substantial efficiency was demonstrated by the project's positive returns and complementarity of government salary support and technical assistance. Overall, the Outcome rating of Satisfactory.

a. Outcome Rating

Satisfactory

7. Risk to Development Outcome

The project is reported to have helped restore the credibility of the government and mobilize additional financing (ICR, p. 20). It laid the groundwork for a Public Expenditure and Investment Management Reform project (P161730, US$ 10 million, 2017-2021) with objectives of improved management and transparency of public expenditures and public investments, and may have helped the country leverage more than US$ 2 billion in pledges at a donors' conference in 2015 and re-engage the IMF beginning in 2014. Institutional strengthening in the civil service, tax and customs administrations, and Treasury is likely to be sustained in Bangui. However, despite the project's possible contribution to enhanced security (through the resumption of government work by civil servants who were involved in the conflict, and the stabilizing return of administration in some regions), 75% of the country's territory remains under the control of rebel groups; clearly, the security situation remains a paramount concern (ICR, pp. 20, 29). Retention of civil servants outside the capital may become problematic if the security situation is not consolidated and if investments are not made in secured salary payment systems across the country. Low capacity, exacerbated by staff turnover and insufficient investment in information technology equipment, material, and infrastructure, also places the sustainability of project achievements at risk; the ICR (p. 28) noted that outsourcing of technical assistance to UNDP, while efficient in terms of achieving the main reforms, came at the cost of longer-term capacity development. Finally, in the absence of an effective revenue mobilization agenda, it is less likely that progress under the project will be sustained.

8. Assessment of Bank Performance

a. Quality-at-Entry

The choice of investment project financing was appropriate, given the risks involved with budget support and the need to provide financing of recurrent costs as well as essential technical assistance. Project design was simple, focusing on a clear, not overly ambitious objective with well-defined targets. An expedited and simplified approval process allowed for rapid launch of implementation. The Bank team worked with other donors (through a development partners committee set up in December 2010) to ensure a coordinated approach, including the establishment of a joint fiduciary framework. Lessons learned from previous operations included the need to avoid inequities in payment of civil servants in different sectors (according to the PAD, the project was to serve as a vehicle to convince other donors to bridge the gap in financing other recurrent costs); the importance of protecting the revenue streams of key revenue-generating agencies and institutions from customs duties, import levies, and taxes; and the effectiveness of outsourcing implementation to technical partners as a transition strategy in fragile states (leading the project to outsource the implementation of some activities to UNDP and a consulting firm) (PAD, p. 17). Overall risk at entry was rated High, due primarily to the ongoing, unstable political/security situation; poor governance; the country's overall weak fiscal position; and sustainability risks (PAD, p. 19, 49-53). Mitigation measures included updating of the human resource and payroll databases to reduce fiduciary risk (pre-financed by UNDP), and an assessment of the internal control environment of the commercial banks operating in the market, to help reduce corruption, misappropriation, and rent seeking. The ICR (p. 21) pointed out that the re-establishment of operational public services in an ongoing context of strong instability was a "significant" risk, dependent on the implementation of a peace roadmap, and that this risk paid off in part because the project itself contributed to increased peace and stability.

Quality-at-Entry Rating

Satisfactory

b. Quality of supervision

The ICR (pp. 24-25) stated that supervision missions were effective, and aides-memoire and Implementation Support and Results reports presented clear and candid recommendations for implementation. An effective working relationship was formed between the Bank team and the main implementing agency, the MoF's Economic and Financial Reform Unit. Close operational supervision was conducted on financial management and procurement, given the context of fragility, low capacity, and emergency intervention. A change of task team leader in 2016 required some adaption of working procedures, slightly delaying implementation for a brief period, but this was a minor shortcoming.

Quality of Supervision Rating

Satisfactory

Overall Bank Performance Rating

Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

The PAD (pp. 25-29) contained a results framework that specified outcome and intermediate outcome indicators with baselines and targets. Data sources and responsibility for data collection and analysis were clearly stated. The MoF's Economic and Financial Reform Unit was to collect, review, and assess the reliability of indicator data. The project's activities were included in the country economic program, and as a result, joint donor reviews of the program were also to serve as a vehicle for rounding out the M&E system. There was no PDO-level indicator to measure the re-establishment of financial management systems, but several of the intermediate outcome indicators provided information on achievement of that part of the objective. Some of the intermediate outcome indicators were incompletely specified: the indicator on number of MoF directorates returning to functionality did not define "functional"; and the indicators on civil servants in health, education, and customs returning to work "in districts where security has improved" did not define what would constitute acceptable improvement.

b. M&E Implementation

According to the ICR (p. 26), all indicators were measured adequately throughout the project's lifetime through reporting systems in place across beneficiary institutions. The need to inform regular dialogue with the IMF provided additional incentive for efficient reporting.

c. M&E Utilization

The ICR (p. 27) stated that project M&E data were used to adapt project management and to inform dialogue with the IMF.

M&E Quality Rating

Substantial

10. Other Issues

a. Safeguards

The project was classified as category C for environmental assessment purposes. Activities supported by the project were not expected to have any adverse environmental impacts. The PAD (p. viii) noted that the project triggered OP/BP 4.10, Indigenous Peoples, but no discussion was provided. The Project Paper for the AF (p. 16) stated that no safeguard policies were triggered. The ICR confirmed that the environmental assessment category was C but did not discuss other safeguard policies. The project team later confirmed that there was full compliance with the Indigenous Peoples safeguard, including a study, due diligence, and monitoring.

b. Fiduciary Compliance

According to the ICR (p. 27), financial management and procurement were satisfactory, with no major shortcomings. Audit reports and financial statements were produced on time and did not highlight important shortcomings. Some issues with the quality of financial reporting were noted during the project's first year but were resolved by the following year. Major procurement operations, including that of electricity generators, were impacted by delays primarily due to the quality of evaluation reports; however, these issues did not affect overall project implementation, and procurement was rated satisfactory throughout the project's lifetime.

c. Unintended impacts (Positive or Negative)

None reported.

d. Other

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11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Satisfactory	Satisfactory	---
Bank Performance	Satisfactory	Satisfactory	---
Quality of M&E	Substantial	Substantial	---
Quality of ICR		High	---

12. Lessons

Lessons adapted from the ICR (pp. 30-31) include:

Institution building in fragile environments is unlikely to be sustained in the absence of a clear exit strategy. While, in this case, outsourcing was an effective transition strategy, there was insufficient attention to transfer of capacity away from in-house assistance and toward independent action by national authorities (see Section 7).

Rebuilding of institutions in fragile contexts takes time. One project lifetime is rarely enough. While this lesson applies across the board, it is particularly important for revenue mobilization, due to risks of fiscal imbalance between low/volatile revenues and growing expenditures.

In fragile and conflict contexts, taking informed risks can be preferable to disengagement. In this case, although the security situation remained unpredictable while the project was being prepared, a transition road map and United Nations security-building interventions were underway. With these prerequisites, the Bank took the risk of engaging in fast preparation of an emergency program on public administration rebuilding.

The Bank plays a key convening role in ensuring donor coordination under fragile, emergency contexts. In this case, Bank collaboration with UNDP provided essential sequencing of activities that enabled rapid rollout.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR was clear, candid, and concise. It explained thoroughly the project's emergency context, collaboration with UNDP, and theory of change. The efficiency analysis was brief, but the assumptions and calculations were thoroughly explained. Guidelines were consistently followed. Annexes on changes to the results framework and links between the project's technical assistance and the IMF program were useful and efficient presentations of key project elements. Annex 6, containing a "Political and Economic Timeline," was particularly helpful in situating the project within the country's security context.

a. Quality of ICR Rating
High