

**PROJECT INFORMATION DOCUMENT (PID)
CONCEPT STAGE**

Report No.: AB3782

Project Name	Economic Governance & Institutional Reform
Region	AFRICA
Sector	General public administration sector (55%);Forestry (15%);Mining and other extractive (10%);General agriculture, fishing and forestry sector (10%);Telecommunications (10%)
Project ID	P107248
Borrower(s)	REPUBLIC OF LIBERIA
	Ministry of Finance Liberia
Implementing Agency	
	PFMU Ministry of Finance Liberia Phone: (231) 694-5924
Environment Category	<input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI <input type="checkbox"/> TBD (to be determined)
Date PID Prepared	March 28, 2008
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Estimated Date of Board Approval	May 13, 2008

1. Key development issues and rationale for Bank involvement

Country Background

Liberia suffered a brutal civil war from 1989 to 2003, with a relatively brief interlude in the late 1990s. Peace was restored in 2003, with the signing of the Accra Comprehensive Peace Agreement (ACPA) and is now maintained with the assistance of 15,000 UN peacekeepers. The civil war had a devastating impact on the economy and social welfare. The economy has contracted by more than two thirds in real terms since 1980. GDP per capita was estimated at US\$195 in 2007. Much of the country's physical and productive infrastructure (e.g. electricity generation and transmission, large parts of the water supply facilities, most of the capital stock of the mining industry) has been destroyed. A recently completed Core Welfare Indicator Questionnaire (2007) estimated that 64 percent of the population lives below the national poverty line, with 48% of the population living in extreme poverty. However, the economy has begun to recover, helped by the restoration of peace and security and boosted by demand from the donor activities in the country. In 2007, economic growth was estimated at 9.4 percent.

The capacity of the public sector to deliver basic public services has deteriorated markedly, as a result of a collapse in government revenues, loss of human resources from the public service and a breakdown of systems of government. Many experienced and qualified staff left the public service as salaries and benefits have shrunk to extremely low levels. Equipment and documents were destroyed or stolen and basic systems and procedures for public administration broke down in many cases, including systems for financial management and procurement, providing opportunities for corruption. Delivery of key public services by Government is very limited and much of the service delivery is provided by NGOs and other

civil society organizations; for example, the Government spent US\$3.5 per capita on the provision of health services in FY2006/07, while donor expenditure on health is estimated at about US\$20 per capita in 2007. As the emergency relief provided by NGOs phases out, the Government will need to fill the gap by expanding its provision of key public services. In addition, Liberia is rich in natural resources (agricultural land, forests and mineral deposits) but the Government's capacity to protect and ensure optimal and transparent revenue streams from these natural resources and also ensure that they are utilized optimally for the benefit of the population is weak. Following the lifting of UN sanctions, Liberia exported its first Kimberly-certified diamonds in September 2007 but both the Kimberly and Extractive Industries Transparency Initiative (EITI) processes require further strengthening.

Rationale for the Proposed Bank Emergency Project

The proposed Economic Governance and Institutional Reform Project (EGIRP) responds to the request from the Government of Liberia for emergency funding to support the strengthening of economic governance and public administration, one of its main priorities as it seeks to rebuild the country and ensure a sustainable peace.

The project will build on, and deepen, reforms to the PFM system which are already being undertaken, such as those pertaining to public procurement, the budget cash management system and the domestic tax administration. The project will provide technical and financial support to address the critical recommendations from the PEMFAR and provides support that will further the government's efforts to meet the HIPC triggers. Indeed, the project is intended to assist Liberia to graduate from the temporary remedial measures being implemented under the GEMAP, by implementing reforms to build sustainable capacity in the public administration and improve the efficiency, accountability and transparency of public resource management. Support to the reform of the tax administration and mineral sector management will further strengthen and ensure transparent revenue collection, which is a crucial component of the Government's efforts to increase Government resources. Additionally, support to the General Auditing Commission and the Ways and Means Committees in the National Assembly will strengthen the external oversight function of the government, which is essential for reducing fiduciary risks and inspiring confidence in the Government's use of funds. The project will also support elements of the civil service reform program which is critical for the sustainable improvement of public service provision in the country. Capacity constraints in the public sector are major impediments to implementing the reforms needed to strengthen PFM systems and procedures and the public administration, and hence capacity building, covering both human capacity and systems, is a major objective of the proposed project.

The rationale for the project is three-fold: First, severe institutional weaknesses in the public sector constitute one of the most critical constraints to development, poverty reduction and sustainable peace in Liberia, and hence tackling these weaknesses is a priority for the Government and its development partners. Second, by strengthening the fiduciary systems in public sector administration, the proposed project will also help to reduce opportunities for corruption, thereby tackling what is one of the main incentives for civil conflict in the country. Third, the project will help consolidate gains in governance and institutional reforms under GEMAP and support an accelerated implementation of the I-PRSP and the full PRSP. The proposed project is consistent with the strategy outlined in the Joint Interim Strategy Note (JISN) prepared by the World Bank and the African Development Bank and discussed by their Boards on June 16, 2007 and September 5, 2007, respectively.

2. Proposed objective(s)

The Project Development Objective is to improve the efficiency and transparency in managing public financial and human resources.

3. Preliminary description

The components proposed for financing are as follows:

i) **Strengthening public financial management (US\$8.5 million)**

This component is intended to assist Liberia to address immediate technical assistance needs to consolidate gains in governance and institutional reforms under GEMAP, further strengthen PFM processes and systems, and facilitate graduation from the temporary remedial measures being implemented under it. Specifically, this project component will:

- a. continue assistance to the MoF's Resource Management Unit through funding for: three procurement/financial management specialists to support the work of the Technical Secretariat of the Cash Management Committee; three key policy advisers in the MoF; supporting the implementation of the updated Public Financial Management Law and regulations; strengthening of the payment system; upgrading of the existing computer network and accounting software in MoF; and establishment of basic payment capability in selected counties;
- b. assist the Government in strengthening the MoF's Financial Management Training School, which became operational in February 2007;
- c. provide specialized technical assistance to fill critical institutional capacity gaps to implement public procurement reforms, including support for the Public Procurement Concession Commission (PPCC) and key Ministries and Agencies, local business procurement development and support for the professionalization of the public procurement function. It will also provide support to the Liberian Agency for Community Empowerment (LACE) for the implementation of investment programs in sectors such as education, health and urban works, through delegation, on a case by case basis, by line ministries of management responsibility for small or medium-size contracts.
- d. consolidate and strengthen the tax administration reform efforts by implementing a new computerized Integrated Tax Administration System (ITAS);
- e. support mining sector financial management and governance; and
- f. train, support and equip the General Auditing Commission (GAC) in order to strengthen the government's external audit function and strengthen the capacity of the Ways and Means Committees to ensure proper scrutiny of the execution of the budget.

ii) **Supporting the Civil Service Reform Program (\$2.5 million)**

This component will support the design and implementation of the Government's civil service reform program which is critical for the sustainable improvement of public service provision in the country. The immediate priorities of this program are: (i) launching of a performance contract based Senior Executive Service to address short-term capacity needs; (ii) the design of a comprehensive civil service reform program to rebuild a basic capability in the civil service to deliver basic services; (iii) reducing fraud in the payroll and pensions system and better control future personnel hiring; and (iv) rebuilding skills in the

civil service through training. This project component will focus on the last two priorities, namely: (a) better control of payroll through the purchase, installation and customization of a computerized Human Resource Management Information System linked to the payroll system in the MoF; and (b) rehabilitation of training capacity for the civil service by strengthening the Liberian Institute of Public Administration (LIPA). This assistance complements the support provided by the Bank through the Emergency Senior Executive Program project (US\$2.3 million equivalent) approved in October 2007 and a US\$900,000 LICUS Trust Fund grant for launching a performance contract based Senior Executive Service (SES) program and designing a comprehensive civil service reform program, respectively.

4. Safeguard policies that might apply

No safeguard policies are triggered by this project

5. Tentative financing

Source:	(\$m.)
BORROWER/RECIPIENT	0
IDA Grant	11
Total	11

6. Contact point

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