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RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING

OF

ECONOMIC GOVERNANCE AND INSTITUTIONAL REFORM PROJECT
ADDITIONAL FINANCING

CREDIT No. 49070

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TO

REPUBLIC OF LIBERIA

June 14, 2013

ABBREVIATIONS AND ACRONYMS

AF	Additional Financing
BIR	Bureau of Internal Revenue
CSA	Civil Service Agency
EGIRP	Economic Governance and Institutional Reform Project
GAC	General Auditing Commission
GoL	Government of Liberia
HRMIS	Human Resource Management Integrated System
IDA	International Development Association
IFMIS	Integrated Financial Management Information System
ITAS	Integrated Tax Administration System
LIPA	Liberia Institute of Public Administration
MDA	Ministries, Departments, and Agencies
MLME	Ministry of Land, Mines, and Energy
MOF	Ministry of Finance
MS	Moderately Satisfactory
NBC	National Bureau of Concession
PDO	Project Development Objective
PFM	Public Financial Management
PPCC	Public Procurement and Concession Commission
SES	Senior Executive Services
SIGTAS	Standard Integrated Government Tax Administration System
TIN	Tax Identification Number
USD	U.S. Dollar

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LIBERIA

Economic Governance and Institutional Reform Project – Additional Financing

RESTRUCTURING PAPER

CONTENTS

A. SUMMARY 4

B. PROJECT STATUS..... 4

C. PROPOSED CHANGES 5

Annex 1: Revised Results Framework and Monitoring 8

Annex 2: Reallocation of Proceeds..... 11

Annex 3: Extension of Closing Date..... 12

LIBERIA

ECONOMIC GOVERNANCE AND INSTITUTIONAL REFORM PROJECT
ADDITIONAL FINANCING

RESTRUCTURING PAPER

A. SUMMARY

1. The proposed changes include extension of the closing date, revision of the results framework, and reallocation of credit proceeds of the additional financing. These changes are critical for achieving the project development objective as the one-year extension of the closing date will provide sufficient time to complete implementation of technical assistance that will enhance capacity of the Ministry of Land, Mines and Energy to perform technical inspection of commercial mining. The revision of the results framework is expected to increase the likelihood of Project Development Objective (PDO) achievement as the revised indicators better reflect the outcomes of project interventions. Finally, the closing date extension entails an incremental project management cost during the extension period, thus requiring the reallocation of credit proceeds. This is the first extension of the additional financing that is expected to be fully disbursed within the proposed closing date extension.

B. PROJECT STATUS

2. The original Economic Governance and Institutional Reform Project (EGRIP), approved by the Board in May 13, 2008, became effective in May 23, 2008 and was restructured in August 1, 2011. The changes included an additional financing in the amount of US\$7 million, extension of the closing date, revision of the results framework, and reallocation of proceeds of the original project. The additional financing (AF) became effective on October 26, 2011. Both the original and AF will be closed on December 31st 2013.

3. The Project's Development Objective (PDO) is to improve the efficiency and transparency in managing public financial and human resources management, focusing on revenue administration, public procurement, budget execution and payroll management. Implementation progress for the EGIRP is rated *Satisfactory* following the latest supervision mission in November/December 2012. Support to create a Data Center was completed and operationalized. The scaled up activity, an intensive procurement training program, at the Financial Management Training School has been running successfully. It graduated 22 procurement specialists for the first year in May 2013 and has recruited 30 new students to be trained for the second year. These

specialists are now working in ministries and agencies. The AF support has enabled the Senior Executive Program (SES) to continue capacity building in some ministries and agencies, while the government is preparing a transition plan for SESs after the project's closure. Implementation of activities to strengthen mining sector capacity, however, has progressed slowly. The revision of the Mineral Development Agreement (MDA) has been launched and extensive consultations with stakeholders have been ongoing. A technical assistance to strengthen mining inspection capacity has not yet begun as the selection of a consulting firm is still ongoing. Once the selection firm is selected, it will take one year to complete the technical assistance. The mid-term review in December 2012 concluded that financial, procurement and project management are satisfactory. As such, there are not pending audits or legal covenants that are outstanding.

4. During the mid-term review, the mission raised the PDO rating from *Moderately Satisfactory* to *Satisfactory* to reflect implementation progress of some activities. Transparency and accountability in budget management has been enhanced as the completion of data centers at the Ministry of Finance and at the General Auditing Commission (GAC) are connected to the Integrated Financial Management Information System (IFMIS), thereby improving access of GAC to government financial statements. Transparency in public procurement and, consequently, efficiency of public spending is expected to be improved by the recruitment of graduates of the Procurement Training School as qualified procurement specialists in ministries and agencies. Additionally, the Liberia Institute of Public Administration (LIPA) has completed in-service procurement training of 103 government officials (including 23 females) from 14 ministries, 12 agencies or commissions, the Judiciary and the Office of the Vice President.

5. Given slow implementation progress in the mining sector, the government has requested for one-year extension of the closing date to ensure completion of the technical assistance to strengthen mining inspection during the next 12-18 months. This activity is considered critical for the mining sector as it will contribute to improved transparency in the sector as well as increase technical capacity of the Ministry of Land, Mines and Energy (MLME) to monitor and inspect commercial mining operations on a regular basis to ensure their compliance with the concession contracts signed with the government.

C. PROPOSED CHANGES

- *Results framework (Annex I)*. The Project Development Objective (PDO) remains relevant. Proposed revisions to the results framework are shown in Table 1. Changes are mainly made to adequately reflect interventions directly attributable to the project. The proposed changes have been agreed by the Bank and the PIM will be updated accordingly.

Table 1: Revisions to the Results Framework

PDO: Improve the efficiency and transparency in managing public financial and human resources management, focusing on revenue administration, public procurement, budget execution and payroll management.		
PDO indicators		
<i>Current</i>	<i>Proposed change*</i>	<i>Comments/ Rationale for Change</i>
Aggregate expenditure outturns compared to the original approved budget and disaggregate for five key ministries (disaggregated by ministry)	<i>Continued</i>	
Business procedures in commercial registration of taxpayer in the Bureau of Internal Revenue	<i>Continued but baseline and target values revised.</i>	Target value changed to reflect the effect of automation on qualitative (manual versus automation) and quantitative changes (business procedures) Baseline: Manual with 11 steps Target: Automation with 13 steps
Qualified procurement specialists graduated from intensive procurement training working in Ministries, Departments and Agencies (MDAs)	<i>Continued</i>	
Ministries, Departments, and Agencies (MDAs) registered in HRMIS	<i>Continued</i>	
IFMIS Report published monthly	<i>Continued</i>	
Intermediate Results indicators		
Posting of quarterly expenditure reports on MOF website after end of reporting period	<i>Continued</i>	
Issuance of legislative report on annual financial statement of public sector accounts after end of reporting period	<i>Continued</i>	
Tax revenue captured in the ITAS	<i>Continued</i>	
Quarterly inspections of industrial scale mining operations performed by MLME	<i>Continued</i>	
Annual technical audits of large-scale mining operations conducted by MLME and NBC	<i>Continued</i>	
Contracts valued at over USD 250,000 that have undergone annual external audits by GAC submitted to national authorities	<i>Continued</i>	
Procurement monitoring system developed and operational in PPCC for MDAs	<i>Revised – ‘MDAs with procurement tracking methodology piloted by PPCC’</i>	Revision to better reflect interventions under the project and realistic targets.

Civil servants registered using biometrics	<i>Dropped</i>	The project no longer supports this activity due to limited funding.
A new career stream for procurement is established by CSA and endorsed by GoL	<i>Continued</i>	
Procurement specialists working in MDAs completed in-service procurement training provided by LIPA	<i>Continued</i>	
LIPA annual training calendar created with course offerings targeting civil servants and communicated to MDAs	<i>Dropped</i>	The indicator is not linked to project's intervention, i.e. delivery of in-service procurement training program.
LIPA Board of Governors established with representation from key government ministries	<i>Dropped</i>	Establishment of Board of Governors for LIPA is a political matter and does not reflect project's interventions.

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

- *Reallocations of proceeds (Annex 2)*. The proceeds of additional financing will be reallocated from component I (Strengthened Public Financial Management) to component III (Project Management) to ensure continued project oversight and results monitoring during the period of project extension.

Category	Amount of the Credit Allocated (expressed in SDR) (Current)	Amount of the Credit Allocated (expressed in SDR) (Revised)	Percentage of Expenditures to be Financed (Inclusive of Taxes)
(1) Goods, works, consultants' services, and Training under Part I of the Project	3,200,000	3,039,000	100%
(2) Salaries and Operating Costs under Part II.2 of the Project	1,100,000	1,100,000	100%
(3) Goods, consultant's services, Training and Operating Costs under Part III of the Project	200,000	361,000	100%
TOTAL	4,500,000	4,500,000	100%

Closing date (Annex 3). The current closing date will be extended for one year (from December 31, 2013 to December 31, 2014).

Annex 1: Revised Results Framework and Monitoring

Liberia: Economic Governance and Institution Reform Project – Additional Financing

PDO Level Results Indicators ¹	Core	UOM ²	Baseline Original Project (2007-08)	Progress To Date (2012/13) ³	Targets		Frequency	Data Source/ Methodology	Responsibility for Data Collection	Comments
					2013/14	2014/15				
1. Aggregate expenditure outturns compared to the original approved budget and disaggregate for five key ministries (disaggregated by ministry)	<input type="checkbox"/>	Percent	21	-5.5	-4	0	Annual	Analysis of National Budget document	Project coordinator	Minus implies that aggregate outturn was lower than original approved budget
a. Ministry of Agriculture		Percent	No data	-26	-20	-10	Annual	Analysis of National Budget document	Project coordinator	Minus implies that aggregate outturn was lower than original approved budget
b. Ministry of Education		Percent	No data	8	6	4	Annual	Analysis of National Budget document	Project coordinator	Aggregate outturn was higher than original approved budget
c. Ministry of Health		Percent	No data	-13	-3	-2	Annual	Analysis of National Budget document	Project coordinator	Aggregate outturn was lower than original approved budget
d. Ministry of Land, Mines and Energy		Percent	No data	-22	-15	-10	Annual	Analysis of National Budget document	Project coordinator	Aggregate outturn was lower than original approved budget
e. Ministry of Public Work		Percent	No data	-7	-5	0		Analysis of National Budget document	Project coordinator	Aggregate outturn was lower than original

¹ Please indicate whether the indicator is a Core Sector Indicator (for additional guidance – please see <http://coreindicators>).

² UOM = Unit of Measurement.

³ For new indicators introduced as part of the additional financing, the progress to date column is used to reflect the baseline value.

							Annual			approved budget
2. Business procedures for commercial registration of tax payers in the Bureau of Internal Revenue	<input type="checkbox"/>	Number	Manual with 11 steps	Manual with 11 steps	Automation with 13 steps	Automation with 13 steps	Annual	Direct observation and test by BIR	Project coordinator	
3. Qualified procurement specialists graduated from intensive procurement training working in Ministries, Departments and Agencies (MDAs)	<input type="checkbox"/>	Number	0	23	70	100	Annual	Certificates of graduation	Project coordinator	
4. Ministries, Departments, and Agencies (MDAs) registered in HRMIS	<input type="checkbox"/>	Number	0	25	27	29	Annual	Inspection by CSA of HRMIS registration	Project coordinator	
5. IFMIS Report published monthly	<input type="checkbox"/>	Yes/No	No	No	No	Yes	Annual	Analysis of IFMIS Report	Project coordinator	
Intermediate Indicators										
Component I: Strengthened Public Financial Management										
1. Posting of quarterly expenditure reports on MOF website after end of reporting period		Days	90	48	48 ⁴	48 ⁴	Quarterly	www.MOF.gov.lr	Project coordinator	
2. Issuance of legislative report on annual financial statement of public sector accounts after end of reporting period	<input type="checkbox"/>	Months	Not issued	More than 24 months	12 months	8 months	Annual	General Auditing Commission report on issuance of the legislative report	Project coordinator	GAC recently issued annual financial statements of public sector accounts for FY2010/11 and FY2011/12 for the first time since after the end of the civil war.

⁴ The last quarterly fiscal report posted on the MoF website on May 18, 2012 is Q3 (end March 30 2012) 2011/12. Subsequently, the annual fiscal report 2011/12 was posted on March 18, 2013. For FY2012/13, MOF no longer post quarterly reports but mid-year fiscal report.

3. Tax revenue captured in the ITAS	<input type="checkbox"/>	Percent	0	0	50%	100%	Annual	BIR's SIGTAS's Data Entry in Core Module	Project coordinator	
4. Quarterly inspections of industrial scale mining operations performed by MLME	<input type="checkbox"/>	Yes/No	No	No	No	Yes	Annual	Analysis of inspection reports	MLME Program coordinator	
5. Annual technical audits of large-scale mining operations conducted by MLME and NBC	<input type="checkbox"/>	Yes/No	No	No	No	Yes	Annual	Analysis of technical audit reports	MLME Program coordinator	
6. Contracts valued at over USD 250,000 that have undergone annual external audits by GAC submitted to national authorities	<input type="checkbox"/>	%	0	0	0	10%	Annual	Analysis of report by GAC and PPCC	Project coordinator	
7. MDAs with procurement tracking methodology piloted by PPCC	<input type="checkbox"/>	Number	0	0	0	5	Annual	PPCC report on piloting of tracking	Project Coordinator	
Component II: Initiating Civil Service Reform										
1. A new career stream for procurement is established by CSA and endorsed by GoL	<input type="checkbox"/>	Yes/No	No	No	No	Yes	Annual	CSA's approval of a job classification for procurement profession	Project Coordinator	
2. Procurement specialists working in MDAs completed in-service procurement training provided by LIPA	<input type="checkbox"/>	Number	0	41	141	141 ⁵	Annual	Certificates of completed training	Project Coordinator	

⁵ End of intervention by the original project.

Annex 2: Reallocation of Proceeds

*Liberia – Economic Governance and Institution Reform Project – Additional Financing
P107248 (CREDIT 4907-LR)*

Restructuring Paper

1. Proceeds for *Liberia, Economic Governance and Institution Reform Project – Additional Financing, Credit No 4907-LR, Project P107248* will be reallocated as follows:

Category	Amount of the Credit Allocated (expressed in SDR) (Current)	Amount of the Credit Allocated (expressed in SDR) (Revised)	Percentage of Expenditures to be Financed (Inclusive of Taxes)
(4) Goods, works, consultants' services, and Training under Part I of the Project	3,200,000	3,039,000	100%
(5) Salaries and Operating Costs under Part II.2 of the Project	1,100,000	1,100,000	100%
(6) Goods, consultant's services, Training and Operating Costs under Part III of the Project	200,000	361,000	100%
TOTAL	4,500,000	4,500,000	100%

2. Implementation progress is satisfactory as most activities supported by the AF have been completed, ongoing or initiated. The data centers at MOF and GAC were recently completed and operationalized. The scaled up activity, intensive procurement training program, is ongoing and the program recently graduated the first batch of procurement specialists. SESs have continued their capacity building services in ministries and agencies. Selection for the firm to provide technical assistance to strengthen the capacity of the Ministry of Lands Mines and Energy (MLME) has been initiated.

3. The proposed reallocation is necessary to ensure continued coordination, support, oversight and monitoring and evaluation of the results framework by the project management unit at MOF during the one-year extension of the project, and to ensure completion of outstanding activities in the MLME.

Annex 3: Extension of Closing Date

1. The closing date for *Liberia, Economic Governance and Institution Reform Project – Additional Financing, Credit No 4907-LR, P107248* will be extended from December 31, 2013 until December 31, 2014.
2. The Project Development Objective remains relevant and achievable. A number of activities have been implemented satisfactorily and show results. For instance, the data centers at the Ministry of Finance and the General Auditing Commission were recently completed and operationalized. The scaled up activity, intensive procurement training program, is ongoing and the program recently graduated the first batch of procurement specialists. Senior Executive Service personnel have continued their capacity building services in ministries and agencies and are an important compliment to core civil servants in ministries and agencies where they are deployed. Finally, selection for a firm to provide technical assistance to strengthen the capacity of the Ministry of Lands, Mines and Energy (MLME) has been initiated.
3. The proposed extension is necessary to ensure continued oversight by MOF and monitoring and evaluation of the results framework by the project coordinator during the one-year extension of the project. It will also ensure completion of outstanding activities in the MLME. The Borrower has in place an action plan to complete the project by the new closing date.
4. This is the first proposed extension of the closing date of the additional financing.
5. Details of the proposed reallocation between categories are shown in the annex.