Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 15-Apr-2019 | Report No: PIDISDSA23828

BASIC INFORMATION

A. Basic Project Data

Country	Project ID	Project Name	Parent Project ID (if any)
Liberia	P165000	Liberia Integrated Public Financial Management Reform Project - Phase II	
Region	**Estimated Appraisal Date**	**Estimated Board Date**	**Practice Area (Lead)**
AFRICA	15-Apr-2019	01-Jul-2019	Governance
Financing Instrument	**Borrower(s)**	**Implementing Agency**	
Investment Project Financing	Ministry of Finance and Development Planning	Ministry of Finance and Development Planning	

Proposed Development Objective(s)

The project development objective (PDO) is, to improve domestic revenue mobilization systems, and strengthen financial control and accountability in public finances.

Components

1: Enhancing DRM Sources and Systems
2: Stabilizing and Strengthening Financial Controls and Systems' Performance
3: Improved Oversight and Public Sector Capacity
4: Improving Upstream and Downstream PFM Systems in Selected Sectors
5: Project Management and Just-in-Time Resources

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Project Cost	26.00
Total Financing	26.00
of which IBRD/IDA	26.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	26.00
IDA Credit	14.00
IDA Grant	12.00

Environmental Assessment Category

C-Not Required

Decision

The review did authorize the team to appraise and negotiate

B. Introduction and Context

Country Context

1. **Liberia is a fragile country that is slowly becoming more stable.** However, its institutions and governance remain weak from the two devastating civil wars which, claimed over 300,000 lives and derailed economic development. Land and resource disputes, which have been triggers for violent past conflicts, have yet to be fully addressed. The United Nations Mission in Liberia formally withdrew its forces on March 30, 2018, owing to improved security and increased ability of the Government of Liberia (GoL) to control its own security.

2. **Liberia's overall political outlook is relatively positive, but its economic outlook is worrisome and poverty remains widespread.** There have been three successful general and presidential elections since 2005. While sizeable economic gains were widely anticipated by economic analyses in 2018, in part due to increases in the price of iron ore and rubber, as well as higher agricultural productivity over the medium term, the economic outlook has sharply deteriorated since. Furthermore, Liberia has a history of 'growth without development': non-inclusive growth that has left the poor behind. According to the 2016 Household Income and Expenditure Survey (World Bank), the most recent available, 50.9 percent of households are living below the poverty line. Poverty is more prevalent in rural areas than in urban ones, with poverty headcounts of 71.6 percent and 31.5 percent, respectively. Liberia's 2016 Gini coefficient of inequality of 36.5 indicates a sharp disparity in the distribution of wealth.

Sectoral and Institutional Context

3. **There has been limited, albeit noticeable, progress in improving Liberia's poor governance.** With the support of its development partners, the GoL has been focusing on improving governance and public sector institutions, a key pillar in its development plan, the Agenda for Transformation (AfT): Steps Toward Liberia Rising 2030 (2012–2017), as well as to the Pro-Poor Agenda for Prosperity and Development (PAPD). An ongoing constraint, however, is the country's legacy of an excessively centralized power structure, with minimal institutional checks on executive power and weak public administration.

4. **Over the past several years, the country has launched a number of public financial management (PFM) and governance reforms.** Many of these have been supported by the multi-donor Integrated Public Financial Management Reform Project (IPFMRP), this proposed project's antecedent. Achievements to date include adoption of a PFM Act and related regulations, configuration and rollout of an Integrated Financial Management Information System (IFMIS) in 50 ministries and agencies (M&As), establishment and full operationalization of the Liberian Revenue Authority (LRA), enactment of the GAC Law to enhance the GAC's operational independence, regular publication of fiscal outturn reports and annual consolidated financial reports to the GAC for audit, rollout of internal audit functions to 53 M&As, improved public procurement processes, and the establishment of the Public Accounts Committee (PAC) to execute legislative oversight.

5. **The proposed project is based on the findings of a number of recent assessments.** This includes a 2017 IMF Technical Assistance Report[1] on the slow progress in consolidating Government cash balances into a Treasury Single Account (TSA), the IFMIS' obsolete infrastructure, problematic connectivity, and delays in revenue accounting system reconciliations. It also includes a 2016 Tax Administration Diagnostic Assessment Tool (TADAT) assessment of the LRA, which revealed several revenue-related weaknesses**:** an inaccurate and unreliable taxpayer registration database, a weak compliance risk management program, and weak data analysis to identify non-filers or monitor inaccurate reporting. It also includes a 2016 Public Expenditure and Financial Accountability (PEFA) assessment revealed weak budget credibility, an improperly functioning Medium-Term Expenditure Framework (MTEF), and lack of passage of the critical State-Owned Enterprise (SOE) Act has not yet been passed. Finally, the IMF's 2016 Technical Assistance Report–Public Investment Management Assessment (PIMA) reported the lack of an integrated pipeline of investment projects, the absence of high-quality information on said projects, and an overall weak oversight role in PIM for the Ministry of Finance and Development Planning (MFDP).

6. **The proposed follow-on IPFMRP Phase II (IPFMRP2) addresses these lingering PFM and governance issues, coupled with the need to deepen and institutionalize the PFM reforms achieved to date through the IPFMRP to ensure sustainability.** It will do so by focusing on areas of ongoing concern, as identified in the aforementioned assessments, the PAPD, MFDP's PFM Reform Strategy and Action Plan (2017–2020), and the World Bank's Country Partnership Framework (FY2019-2024) Liberia. Of fundamental importance will be the need to strengthen PFM systems to allow for improved service delivery, as well as to stabilize the existing IFMIS and continuation of the rollout to the next 57 additional M&As so that the system is used to produce meaningful fiscal reports that are periodically used for decision making at various levels of government.

7. **To ensure timely results and impact, this new project will provide a clear link between PFM and service delivery in two core sectors by supporting the building blocks for improved service delivery.** Interventions—which will target health and education—have been developed following consultation with the Auditor General's Office, which has conducted a series of audits to determine the main PFM bottlenecks that impede service delivery in Liberia.

[1] Singh, A. et al. 2017. *Advancing PFM Reforms: Treasury Single Account Implementation, Cash Management, and Oversight of State-Owned Enterprises*. IMF.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

8. The project development objective (PDO) for the proposed project is, to improve domestic resource mobilization, financial control, and accountability, and select public finance systems within the health and education sectors.

Key Results

D. Project Description

9. **The proposed project takes up from where the Liberia IPFMRP (P127319) ended in terms of supporting DRM, establishing foundational systems and PFM financial controls, and improving external accountability and fiscal decentralization.** It strengthens the building blocks for improved service delivery by tackling key bottlenecks arising from PFM issues at selected ministries and builds long-term capacity, based on Government demand. The proposed project is an Investment Project Financing (IPF) with DLI elements; the IPF may also encompass a multi-donor trust fund (MDTF) within the first 1-2 years of project effectiveness, depending on resource availability of interested development partners and Government need. Parallel but separate from the IPF, there is ongoing financing by the AfDB to complement the support of the IDA-funded operation.

10. **The project intends to further address the aspect of service delivery by introducing smart PFM through process and decision-making improvements within the PFM delivery chain.** This will entail improved budget preparation and execution tied to Government priorities in the selected sectors; tracing of expenditure results based on outcomes, including service delivery; and ensuring effective and comprehensive reporting, transparency, and accountability. These will be anchored in institutionalized continued performance improvement based on outcomes. Since the follow-on project will take PFM reforms to sectors, one key lesson to be borne in mind during design is to ensure that the distinctive characteristics of the three chosen sectors reflect the reform agenda required to support the requisite improved service delivery. The reform should encompass institutional conditions and sectoral-level influences and ensure that the balance of power among major key players in the same.

11. **The proposed operation is a four-year, IPF follow-on project to deepen and institutionalize the PFM reforms introduced and supported during the IPFMRP, as well as to broaden the scope to address areas that remain and critical new areas of support.** The proposed areas were identified by the Government, partners, and the World Bank through analysis of numerous assessments as reflected in the MFDP's PFM Reform Strategy and Action Plan (2017–2020). They were also developed to complement the activities to be funded by the AfDB's IPFMRP2 that is currently effective and operational.

12. **Component 1 will support the mobilization of sufficient revenues through preparation for the introduction of a value-added tax (VAT) regime and enhancing the capacity of tax policy and tax administration for the delivery of public services**. Subcomponents include improving tax policy by introducing the VAT replacing the GST, and capacity development and the strengthening of tax automation.

13. **Component 2 will stabilize and strengthen the implementation, integration, and coverage of the Government's PFM IT systems and control for effective fiscal and financial accounting, and timely and accurate financial and fiscal reporting**. Subcomponents include IFMIS improvement and rollout support, the activation of the IFMIS Budget Module, deepening of the Medium-Term Expenditure Framework (MTEF), and strengthening Liberia's electronic procurement systems in the public sector.

14. **Component 3 will boost internal and external oversight by strengthening core accountability and integrity institutions and supporting non-state actors' ability to participate in evidence-based policy discussions**. Subcomponents will include strengthening parliamentary, internal, and external oversight effectiveness, and institutional capacity building.

15. **Component 4 will reduce the extent of existing core PFM-related bottlenecks within the chosen sectors that significantly impede improved service delivery systems**. This involves improving PFM systems in the health and education sectors and supporting public expenditure tracking surveys (PETS) in both sectors.

16. **Component 5 will ensure proper management and implementation of the project, as well as to provide support for procurement, financial management, and monitoring and evaluation (M&E), through the establishment of a Project Management Unit (PMU)**. It will also include just-in-time resources to address additional PFM-related priorities as they may arise during the course of project implementation.

Project Components	Project Cost
Component 1: Enhancing DRM Sources and Systems	7,000,000
Component 2: Stabilizing and Strengthening Financial Controls and Systems' Performance	8,300,000
Component 3: Improved Public-Sector Capacity for Enhanced Oversight and Accountability	3,600,000
Component 4: Improving Upstream and Downstream PFM Service Delivery Systems in Selected Sectors	4,800,000
Component 5: Project Management and Just-in-Time Resources	2,300,000
Total	**26,000,000**

E. Implementation

Institutional and Implementation Arrangements

17. **Liberia's MFDP will be the overall implementing and coordinating agency for the project.** The Government will establish a PMU within the MFDP to accelerate implementation and attainment of results. The PMU will be comprised of an Administrative/Project Manager and Deputy Administrative/Project Manager. The Project Manager will be responsible for the overall implementation of the project and will report on a regular basis to the Deputy Minister for Fiscal Affairs and the RCU on the overall activities of the PMU. The Project Manager will be assisted by a Deputy Project Manager, Project Accountant, Project Procurement Specialist, and an Administrative Officer. All project financial management related matters will be handled by the existing Project Financial Management Unit (PFMU), as is the case with most donor-funded projects.

18. **A Project Implementation Manual (PIM) will define the roles and responsibilities of each stakeholder in the project, including the relationship between institutions, rules, and procedures, as well as processing times to react to specific requests from the Government and/or the World Bank**. It will be finalized by the PMU, in close collaboration with the beneficiaries, before project effectiveness. This is expected to facilitate its validation by promoting full ownership of its content by all stakeholders involved. An administrative, financial accounting and procurement procedures manual will also be prepared and adopted after project effectiveness.

F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)

G. Environmental and Social Safeguards Specialists on the Team

Sekou Abou Kamara, Environmental Specialist
Akhilesh Ranjan, Social Specialist

SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	No	Not triggered because the project does not involve any physical footprints.
Performance Standards for Private Sector Activities OP/BP 4.03	No	Not triggered because the project does not involve the private sector.
Natural Habitats OP/BP 4.04	No	Not triggered because the project and all its components will not result in any loss or degradation of natural habitat
Forests OP/BP 4.36	No	Project activities will not impact the health and quality of any forest.
Pest Management OP 4.09	No	This policy is not triggered because project activities will not procure or make use of herbicides or pesticides
Physical Cultural Resources OP/BP 4.11	No	This policy is not triggered because project activities do not involve excavation of any form located within the vicinity of recognized cultural heritages sites
Indigenous Peoples OP/BP 4.10	No	This policy is not triggered because no indigenous people as defined by the Bank are present in Liberia.

Involuntary Resettlement OP/BP 4.12	No	Not triggered because project activities will not result in any form of land take either directly or indirectly and no risk of loss of livelihoods or assets.
Safety of Dams OP/BP 4.37	No	The project does not involve the construction of dams, nor relies on dam structures
Projects on International Waterways OP/BP 7.50	No	This policy is not triggered because the project does not involve activities on international water ways.
Projects in Disputed Areas OP/BP 7.60	No	None of the project components in located in disputed areas.

KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:
No safeguards issues have been identified for this project.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:
No safeguards related large scale, significant and/or irreversible impacts are anticipated.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.
N/A

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.
No safeguards issues have been identified and thus no such assessment of borrower capacity has been undertaken.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.
There are no safeguards-related consultations.

B. Disclosure Requirements

C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)

The World Bank Policy on Disclosure of Information

Have relevant safeguard policies documents been sent to the World Bank for disclosure?

Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?

All Safeguard Policies

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?

Have costs related to safeguard policy measures been included in the project cost?

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?

Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?

CONTACT POINT

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APPROVAL

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