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Report No: PAD2689

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED GRANT

IN THE AMOUNT OF SDR 13.8 MILLION  
(US\$19.0 MILLION EQUIVALENT)

TO THE

REPUBLIC OF LIBERIA

FOR A

PUBLIC FINANCIAL MANAGEMENT REFORMS FOR INSTITUTIONAL STRENGTHENING  
PROJECT

June 21, 2019

Governance Global Practice  
Africa Region

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## CURRENCY EQUIVALENTS

Exchange Rate Effective May 31, 2019

Currency Unit = Liberian Dollars  
(LRD)

LRD 188.875= US\$1.0

US\$1.0 = SDR 0.72588958

## FISCAL YEAR

January 1 - December 31

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## ABBREVIATIONS AND ACRONYMS

ACCA	Association of Chartered Certified Accountants
ACH	Automated Clearing House
AfDB	African Development Bank
AfT	Agenda for Transformation
AIMS	Aid Information Management System
ASYCUDA	Automated System for Customs Data
AWP&B	Annual Work Plan and Budget
BMC	Budget Management Committees
BoL	Bank of Liberia
BPCU	Budget Policy and Coordination Unit
CAAT	Computer-Assisted Auditing Technique
CAG	Controller and Accountant General
CBL	Central Bank of Liberia
CHT	County Health Team
CoA	Chart of Accounts
CPF	Country Partnership Framework
CPIA	Country Policy and Institutional Assessment
CPS	Country Partnership Strategy
CQS	Consultants' Qualifications
CS-DRMS	Commonwealth Secretariat Debt Recording and Management System
CSA	Civil Service Authority
CSM	Civil Service Module
CSO	Civil Society Organization
DA	Designated Account
DLI	Disbursement-Linked Indicator
DP	Development Partner
DRM	Domestic Resource Mobilization
EC	European Commission
EDMS	Electronic Document Management System
EEP	Eligible Expenditure Program
EFT	Electronic Funds Transfer
EMIS	Education Management Information System
EU	European Union
FM	Financial Management
FMTTP	Financial Management Training Program
FMTS	Financial Management Training School
GA	Grant Agent
GAC	General Auditing Commission

GDP	Gross Domestic Product
GFS	Government Finance Statistics
GIZ	German Agency for International Cooperation
GoL	Government of Liberia
GPE	Global Partnership for Education
GRPB	Gender Responsive Planning and Budgeting
GRS	Grievance Redress Service
GST	General Sales Tax
HC	Human Capital
HCP	Human Capital Project
HDI	Human Development Index
HMIS	Health Management Information System
HR	Human Resources
IAA	Internal Audit Agency
IBRD	International Bank for Reconstruction and Development
IC	International Competition
ICR	Implementation Completion and Results Report
ICT	Information and Communications Technologies
IFMIS	Integrated Financial Management Information System
IFR	Interim Financial Report
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
INDV	Individual
IPF	Investment Project Financing
IPFMRP	Integrated Public Financial Management Reform Project
IPS	International Procurement Specialist
IPSAS	International Public Sector Accounting Standards
ISA	International Standards of Auditing
ISR	Implementation Status and Results Report
IT	Information Technology
ITAS	Integrated Tax Administration System
IVA	Independent Verification Agent
JFMA	Joint Financial Management Assessment
LACC	Liberia Anti-Corruption Commission
LAN	Local Area Network
LEG	Local Education Group
LEITI	Liberia Extractive Industries Transparency Initiative
LICPA	Liberian Institute of Certified Public Accountants
LIPA	Liberia Institute of Public Administration
LRA	Liberian Revenue Authority

MFD	Maximizing Finance for Development
MACs	Ministries, Agencies, and Commissions
M&E	Monitoring and Evaluation
MBA	Master of Business Administration
MDTF	Multi-Donor Trust Fund
MFD	Ministry of Finance and Development Planning
MoE	Ministry of Education
MoH	Ministry of Health
MTEF	Medium-Term Expenditure Framework
MTFF	Medium-Term Fiscal Framework
NASSCORP	National Social Security and Welfare Corporation
NGO	Non-Governmental Organization
NPF	National Procurement Framework
NSA	Non-State Actor
ODRA	Open Data Readiness Assessment
OFM	Office of Financial Management
OGP	Open Government Partnership
ODI	Overseas Development Institute
OSIWA	Open Society Initiative for West Africa
PAC	Public Accounts Committee
PAN	Personnel Action Notice
PAPD	Pro-Poor Agenda for Prosperity and Development
PC	Procurement Committee
PCN	Project Concept Note
PDO	Project Development Objective
PEs	Procuring Entities
PEFA	Public Expenditure and Financial Accountability
PETS	Public Expenditure Tracking Survey
PFM	Public Financial Management
PFMRIS	Public Financial Management Reforms for Institutional Strengthening
PFMRSC	Public Financial Management Reforms Steering Committee
PFMU	Project Financial Management Unit
PICT	Project Management Implementation Coordination Team
PIM	Project Implementation Manual
PMU	Project Management Unit
PPA	Project Preparation Advance
PPCA	Public Procurement and Concessions Act
PPCC	Public Procurement and Concession Commission
PPSD	Project Procurement Strategy for Development
PSIP	Public Sector Investment Project

PTC	Project Technical Committee
PU	Procurement Unit
PWC	PricewaterhouseCoopers
QCBS	Quality and Cost-Based Selection
RCU	Reform Coordination Unit
RFQ	Request for Quotations
RTGS	Real Time Gross Settlement System
RTPD	Revenue and Tax Policy Division
SC	Steering Committee
SCD	Systematic Country Diagnostic
SIGTAS	Standard Integrated Government Tax Administration System
SIP	Syllabi Integration Program
SOE	State-owned Enterprise
SORT	Systematic Operations Risk-Rating Tool
SME	Small and Medium Enterprises
STEP	Systematic Tracking of Exchanges in Procurement (World Bank)
TA	Technical Assistance
TADAT	Tax Administration Diagnostic Assessment Tool
TBO	Tax Business Office
TSA	Treasury Single Account
TTL	Task Team Leader
UN	United Nations
UNMIL	United Nations Mission in Liberia
UoL	University of Liberia
USAID	United States Agency for International Development
VAT	Value Added Tax
WAN	Wide Area Network



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DATASHEET

**BASIC INFORMATION**

Country(ies)	Project Name	
Liberia	Public Financial Management Reforms for Institutional Strengthening	
Project ID	Financing Instrument	Environmental Assessment Category
P165000	Investment Project Financing	C-Not Required

**Financing & Implementation Modalities**

<input type="checkbox"/> Multiphase Programmatic Approach (MPA)	<input type="checkbox"/> Contingent Emergency Response Component (CERC)
<input type="checkbox"/> Series of Projects (SOP)	<input checked="" type="checkbox"/> Fragile State(s)
<input checked="" type="checkbox"/> Disbursement-linked Indicators (DLIs)	<input type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input type="checkbox"/> Responding to Natural or Man-made Disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	

Expected Approval Date	Expected Closing Date
16-Jul-2019	31-Oct-2024

Bank/IFC Collaboration

No

**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

Component Name	Cost (US\$, millions)
1: Enhancing DRM Sources and Systems	7.00
2: Stabilizing and Strengthening Performance of Financial Controls and Systems	3.20
3: Improving Public-Sector Capacity for Enhanced Oversight and Accountability	2.62
4: Improving Upstream and Downstream PFM Systems in Selected Sectors	4.30
5: Project Management	1.88

### Organizations

Borrower:	Republic of Liberia
Implementing Agency:	Ministry of Finance and Development Planning

### PROJECT FINANCING DATA (US\$, Millions)

#### SUMMARY

<b>Total Project Cost</b>	19.00
<b>Total Financing</b>	19.00
<b>of which IBRD/IDA</b>	19.00
<b>Financing Gap</b>	0.00

#### DETAILS

##### World Bank Group Financing

International Development Association (IDA)	19.00
IDA Grant	19.00

##### IDA Resources (in US\$, Millions)

	Credit Amount	Grant Amount	Guarantee Amount	Total Amount
National PBA	0.00	19.00	0.00	19.00



<b>Total</b>	<b>0.00</b>	<b>19.00</b>	<b>0.00</b>	<b>19.00</b>		
<b>Expected Disbursements (in US\$, Millions)</b>						
<b>WB Fiscal Year</b>	2020	2021	2022	2023	2024	2025
<b>Annual</b>	5.19	2.19	3.83	3.88	3.38	0.53
<b>Cumulative</b>	5.19	7.39	11.21	15.09	18.47	19.00

**INSTITUTIONAL DATA**

**Practice Area (Lead)**

**Contributing Practice Areas**

Governance

**Climate Change and Disaster Screening**

This operation has been screened for short and long-term climate change and disaster risks

**Gender Tag**

**Does the project plan to undertake any of the following?**

a. Analysis to identify Project-relevant gaps between males and females, especially in light of country gaps identified through SCD and CPF	Yes
b. Specific action(s) to address the gender gaps identified in (a) and/or to improve women or men's empowerment	Yes
c. Include Indicators in results framework to monitor outcomes from actions identified in (b)	Yes

**SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)**

<b>Risk Category</b>	<b>Rating</b>
1. Political and Governance	● High
2. Macroeconomic	● Substantial
3. Sector Strategies and Policies	● Substantial
4. Technical Design of Project or Program	● Substantial



5. Institutional Capacity for Implementation and Sustainability	● Substantial
6. Fiduciary	● High
7. Environment and Social	● Low
8. Stakeholders	● Substantial
9. Other	
10. Overall	● Substantial

**COMPLIANCE**

**Policy**

Does the project depart from the CPF in content or in other significant respects?

Yes  No

Does the project require any waivers of Bank policies?

Yes  No

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01		✓
Performance Standards for Private Sector Activities OP/BP 4.03		✓
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		✓

**Legal Covenants**



**Conditions**

Type	Description
Disbursement	No withdrawal shall be made for payments made under Category 2 of the Project, until the Recipient: (i) through its Cabinet has approved the updated draft National ICT Policy 2019-2024; (ii) developed and approved an IFMIS Rollout Strategy; and (iii) has activated the IFMIS Budget Module, all in a manner satisfactory to the Association (Schedule 2, Section III, B, 1 (b) of the Financing Agreement).
Disbursement	No withdrawal shall be made for payments for Eligible Expenditures Program under Category (4) unless the conditions set forth below shall have been satisfied:(i) the Recipient has furnished evidence satisfactory to the Association that: (A) an IVA with experience and under terms of reference has been recruited: (B) Payments for Eligible Expenditures Program have been made in accordance, and in compliance, with the procedures set forth in the Recipient’s applicable laws and regulations and in the PIM as verified by the General Audit Commission; and (C) the DLIs set forth in Schedule 3 for which payment is requested have been met and verified in accordance with the PIM by the IVA (Schedule 2, Section III, B, 1 (c) of the Financing Agreement).
Effectiveness	The Recipient has set up a Project Management Unit in accordance with Section 1.A.1 (b) of Schedule 2 to the Financing Agreement (Article IV, 4.01 (a) of the Financing Agreement).
Effectiveness	The Recipient has prepared and adopted a Project Implementation Manual in form and substance satisfactory to the Association (Article IV, 4.01 (b) of the Financing Agreement).



## I. STRATEGIC CONTEXT

### A. Country Context

- Liberia faces enormous intertwined developmental and governance challenges.** The economy is only gradually recovering from the twin shocks of the Ebola epidemic and sharp decline in commodity prices. It is estimated that the gross domestic product (GDP) grew by 2.5 percent and 1.2 in 2017 and 2018 respectively, while growth in 2019 is unlikely to exceed one percent. Inflation reached 23.3 percent in April 2019 and is likely to rise with the exchange rate depreciation (35 percent year on year in May 2019). Fiscal pressures are increasing, with a primary deficit of 4.9 percent of GDP in 2018, which is expected to rise in 2019. Economic imbalances have impacted some large industries, such as in the iron ore industry and the rubber industry. The country's GDP per capita in 2018 stood at US\$663. Despite a slight improvement in the first quarter of 2019 Liberia has a very low tax revenue base. Its revenue to GDP ratio is below the Sub Saharan Africa average, with the result that the country is unable to deliver basic public services.
- Corruption, poor governance, and misuse of public resources is endemic.** After several improvements, the situation has deteriorated since 2017. In addition to several high-profile scandals including the alleged mismanagement and illegal issue of cash by the Central Bank, there is a lack of the rule of law. Within the public sector, rules and internal controls are often ignored, resulting in the build-up of expenditure arrears. The little equipment and supplies in the health sector that are purchased are often not available in medical facilities. Despite a hiring freeze in the public sector, new staff, often unqualified, are contracted. At the same time, delays and non-payment of public-sector salaries are increasing, and if left unchecked, will reverse state building efforts achieved over the last decade. The result is poor service delivery, particularly in the health and education sectors.
- Liberia remains a fragile country.** While it is gradually becoming more stable politically, economic imbalances exacerbate the country's macroeconomic instability. The country's institutions and governance are still weak from the two devastating civil wars (1989-1997 and 1999-2003), which claimed over 300,000 lives (peace data.org) and derailed Liberia's economic development. The United Nations Mission in Liberia (UNMIL) forces were formally withdrawn on March 30, 2018 because of improved security and the increased ability of the Government of Liberia (GoL) to control its own security. However, land and resource disputes, which have been triggers for violent conflicts in the past, have yet to be fully addressed. Social tensions are rising with inflation, unemployment and the perception of widespread corruption and impunity.
- Poverty and vulnerability are fundamental problems.** Liberia has a history of 'growth without development,' that is, non-inclusive growth that has left the poor behind. The twin shocks of Ebola and commodity prices set back much of the progress achieved in poverty alleviation since 2003. Liberia is ranked 181<sup>st</sup> of 189 countries and territories on the Human Development Index (HDI), with a value of 0.435 in 2017. Life expectancy at birth climbed to 63.0 years in 2017. Liberia's 2018 Gini coefficient of inequality is 35.3. According to the 2016 Household Income and Expenditure Survey (World Bank), 50.9 percent of households are living below the poverty line (71.6 percent in rural areas and 31.5 in urban areas).
- Due to weak public financial management (PFM) and governance, human capital (HC) outcomes remain very poor.** The Government has little capacity to mobilize resources, complicating its ability to guarantee a minimum quality and quantity of public services, particularly in health and education. The country is ranked 153rd out of 157 on the World Bank's HC Index: a child born today in Liberia will only be 32 percent as productive when they grow up as they could have been had they enjoyed complete education and full health.



More broadly, HC expenditure is inefficient and ineffective. Funds often do not reach final beneficiaries and when they do they may not be used for their intended purpose. For this reason, improved oversight in the use of funds and strengthened accountability are required. Inefficient financial reporting and planning within the health sector and personnel and payroll management in the education sector have enabled the diversion of public resources intended to improve health and education outcomes. Issues requiring attention within the health sector include: poor financial reporting; the need for payroll cleaning; the lack of inventory records; poor record management; and the improper use of ministry bank accounts. In the education sector, core issues include: poor human resource management (including the presence of ghost teachers on payroll); insufficient instructional materials reaching schools; the collection of unauthorized fees by school administrators; the lack of timely cash releases to service delivery centers; poor compliance with existing policies and regulations; and the lack of comprehensive FM/accounting systems to track expenditures at the county level.

## B. Sectoral and Institutional Context

6. **Following some progress in improving Liberia’s poor governance, there are signs of a recent deterioration.** At a formal level, the GoL has been focusing on improving governance and public sector institutions, a key pillar in its former development plan, the *Agenda for Transformation (AFT): Steps Toward Liberia Rising 2030* (2012–2017), as well as in 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, a generalized failure to observe the rule of law, as well as a weak public administration. The Government’s recent decision to alter terms of tenure of key accountability institutions further complicates efforts to ensure good governance. To address these issues, accountability and oversight mechanisms need to be strengthened, both inside the Government and through external audit and, through greater Government data transparency and citizen participation in policy discussions. This will be a long and difficult process, which will require slowly rebuilding the social contract between citizens and government, by raising revenues from those able to contribute and ensuring those resources are well used, particularly in health and education, which form the basis for HC.
7. **There is evidence of systematic evasion of the rule of law within the public sector.** One of the best illustrations of the challenges facing the public sector was the results of the investigative reports by the Presidential Investigative Team and by Kroll Associates into the alleged mismanagement of cash from the Central Bank. The reports showed a complete lack of effective internal controls and decisions which contravened the law within the Central Bank. The systematic nature of the violation of the rule of law suggested that such practices are widespread within the public sector.
8. **In recent years, the country has launched several PFM and governance reforms, many of which were supported by the multi-donor<sup>1</sup> Integrated Public Financial Management Reform Project (IPFMRP, P127319).** Achievements to date include: the adoption of a PFM Act and related regulations; the configuration and launching of an Integrated Financial Management Information System (IFMIS) in 50 ministries, agencies, and commissions (MACs); the establishment and full operationalization of the Liberian Revenue Authority (LRA); the enactment of the General Auditing Commission (GAC) Law to enhance the GAC’s operational independence; the regular publication of fiscal outturn reports and submission of annual consolidated financial reports to the GAC for audit; the launching of internal audit functions to 53 MACs; improved public procurement processes; and the establishment of the Public Accounts Committee (PAC) to execute legislative

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<sup>1</sup> Donors included the African Development Bank (AfDB), the European Union (EU), the Embassy of Sweden, and the United States Agency for International Development (USAID).



oversight. Liberia joined the Open Government Partnership (OGP) in September 2011. The Liberian Government and civil society have since jointly developed three national action plans focused on transparency, citizen participation, accountability and integrity, and technology and innovation. Implementation of many of these commitments have been delayed or are inadequate.

9. **Despite these new institutions, many governance and PFM challenges remain.** In PFM, a 2017 International Monetary Fund (IMF) Technical Assistance Report<sup>2</sup> noted, among other things, the slow progress in consolidating Government cash balances into a Treasury Single Account (TSA), thereby complicating the Government's ability to monitor its cash position in real time. Furthermore, the IMF noted that, although the GoL has invested heavily in PFM information technology (IT) systems, most of them are *not* interoperable, which undermines comprehensive financial reporting. Lack of interoperability, it should be noted, is not simply a technical question but rather one of internal governance, in that it involves developing and following clear procedures for the development of IT systems. Other issues flagged include the IFMIS' obsolete infrastructure, problematic local area network (LAN) and wide area network (WAN) connectivity, and delays in revenue accounting system reconciliations.
10. **A 2016 Tax Administration Diagnostic Assessment Tool (TADAT) assessment<sup>3</sup> of the LRA revealed several revenue-related weaknesses that need to be addressed.** These include an inaccurate and unreliable taxpayer registration database, a weak compliance risk management program, and weak data analysis to identify the non-filers and/or to monitor inaccurate reporting. The report also noted significant delays in reconciliation between the revenue account and posting to taxpayer ledgers, the inability to determine actual stock and flow of tax arrears, and poor oversight and control of the LRA and its IT systems. There is also a heavy reliance on manual operations that are often replications of the Standard Integrated Government Tax Administration System (SIGTAS) functions that have yet to be fully resolved.
11. **Liberia's 2016 Public Expenditure and Financial Accountability (PEFA) Assessment<sup>4</sup> also revealed numerous weaknesses that undermine the efficiency and productivity of the existent PFM system.** Budget credibility remains poor, with late budget approval and unrealistic costing of budget items affecting budget preparation and execution. Furthermore, the Medium-Term Expenditure Framework (MTEF) is not functioning properly since its introduction in 2012. Also, donor funding, which forms a large proportion of public expenditure, is not included in the MTEF. As such, the MTEF projections are not accurate and have limited coverage. The current MTEF includes a three-year projection, but there are no ceilings-which negatively impacts forecasting for future budgets. In addition, it does not include all projects or their full cycle costs. Substantial appropriations are made toward capital expenditures, but they are under-executed by around 70 percent due to a shortage of funds (attributable to chronically unrealistic revenue projections). The State-Owned Enterprise (SOE) Act has not yet been passed.
12. **The proposed follow-on project will address these PFM and governance issues, as well as deepen and institutionalize the PFM reforms achieved to date to ensure sustainability, through an HC lens.** It will aim to do so by focusing on areas of ongoing concern, as identified in recent PFM assessments; the AfT and PAPD; the Ministry of Finance and Development Planning's (MFDP) PFM Reform Strategy and Action Plan (2017–2020); and the World Bank's Systematic Country Diagnostic (SCD<sup>5</sup>), as well as the subsequent World Bank

<sup>2</sup> A. Singh and others, *Advancing PFM Reforms: Treasury Single Account Implementation, Cash Management, and Oversight of State-Owned Enterprises*. (Washington, DC: IMF, 2017).

<sup>3</sup> S. Sweet and others. *TADAT Performance Assessment Report: The Republic of Liberia*. 2016.

<sup>4</sup> World Bank and AECOM. *Liberia—Public Expenditure and Financial Accountability Assessment*. 2016.

<sup>5</sup> "From Growth to Development: Priorities for Sustainably Reducing Poverty and Achieving Middle-Income Status by 2030." Report No. 113720-LR, approved April 2018.



Group Country Partnership Framework (CPF) for Liberia FY2019-2024 (Report No. 130753-LR), discussed on November 27, 2018. Of fundamental importance will be the need to strengthen PFM systems to allow for improved service delivery in key ministries that can impact a larger population, thereby leading to an improved social contract and greater HC outcomes. It will also help to stabilize the existing IFMIS, as well as the continuation of the rollout to the remaining 57 MACs to produce reports for decision making at the various levels of government, to ensure greater expenditure control.

13. **The proposed operation adopts an integrated, HC-based approach to the governance and PFM problems highlighted previously.** It addresses the importance of broadening the revenue base in an equitable manner to be able to revert the worsening HC indices through the provision of public services in education and health. This is also fundamental to begin to rebuild the social contract and the ability and willingness of citizens to demand accountability from the Government and the political elite. A new social contract and creating greater fiscal space require more efficient spending through strengthening the ability of PFM systems to provide relevant information on expenditure and establishing reasonable controls and requisite oversight on overall government finances. The strengthened systems will enable the GoL to ensure resources are being effectively used for enhanced HC development and improved service delivery.
14. **This project will also directly address sector-specific PFM bottlenecks in two core sectors—health and education—to improve service delivery in these areas and thus HC outcomes.** Within the education sector, there is an inefficient teacher replacement process which negatively impacts the Ministry’s budget. The time it takes to replace a teacher varies widely, ranging from nine months to one year. The Human Resources (HR) department of the Ministry currently doesn’t track the exact time from request to completion. HR has a list of 1,527 (2018) teachers that qualify for retirement. If average salaries are about US\$2,000/year, that would be over US\$3,000,000 per year spent on teachers that should not be in the classroom and are likely not showing up to teach regularly. The Ministry cannot do anything to remove these teachers until the Civil Service Agency (CSA) funds their pensions and agrees to move them to the CSA pension payroll. A newly hired teacher, once added to the payroll, should receive their first paycheck the following month. This takes anywhere from two months to a year depending on issues with paperwork and processing between CSA, MFDP and the commercial banks. Within the Ministry of Health, the annual budgets are consistently prepared by the Office of Financial Management (OFM) with no participation by other key departments such as Planning and Health Financing Departments, amongst many. Lack of participation presupposes that the budget is prepared on unrealistic costing of programs and activities. The budget preparation process could benefit from a more structured and participatory process that would help reflect the needs and priorities of the sector. Interventions targeting the health and education sectors have been developed following consultation with the two related ministries and the Auditor General’s Office, which has conducted a series of audits to determine the main PFM bottlenecks that impede service delivery in Liberia. The two sectors are also among the top five sectors in terms of proposed budget appropriations in the last three years.<sup>6</sup>

### C. Relevance to Higher Level Objectives

15. **The project is aligned with the GoL’s medium-term development strategy, the PAPD; it also uses as its strategic guide the MFDP’s PFM Reform Strategy and Action Plan (2017–2020).** The areas of focus in the strategy cover: 1) Legal and regulatory framework, 2) Budget credibility, 3) Revenue mobilization, 4) Robust and linked IT systems, 5) Comprehensive and transparent financial reporting, and 6) External scrutiny. These thematic areas are further supported by the cross-cutting theme of capacity development that recognizes that the traditional responses of bringing in experts to provide short courses to train practitioners and provide

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<sup>6</sup> On the basis of the proposed budget appropriations, sectors are health, education, finance and development, justice, and public works.





scholarships to individuals to study overseas have been less effective. The PAPD aims, among other things, to establish an accountable and effective public sector, combat corruption, promote an honest and transparent private sector, and improve human development. The Reform Strategy has as its vision that “by 2020, the GoL would have built a PFM sector that is reliable, accountable, and transparent, and providing excellent support for the delivery of services to the Liberian public.”<sup>7</sup>

16. **The PFM Reforms for Institutional Strengthening (PFMRIS) Project feeds into three of the Liberia SCD policy priority areas.** The first area concerns improvements in governance and institutions to provide citizens with security, justice, and economic opportunities (Policy Priority Area 1). This will be addressed through activities aimed at rebalancing power relations and opening up new areas of contestation at the subnational level, as well as greater transparency of Government data and venues for participation to ensure that citizens have their say and voice in establishing policy priorities, thereby contributing to decision making and ensuring accountability. The second area concerns activities toward the achievement of Policy Priority Area 3, that is, investing in HC. These include supporting PFM in health and education to expand access and improve service quality. Finally, the third area addresses imminent risks and building resilience to shocks (Policy Priority Area 4). It will be addressed through the restoration of fiscal sustainability to mitigate external shocks by encouraging more inclusive, participatory decision making.
17. **The proposed project is consistent with the priorities outlined in the CPF - FY2019-24 (Report No. 130753-LR).** Objective 1 of the CPF is, “Greater transparency, accountability, and efficiency in public institutions.” This is in line with the government’s emphasis on public sector transparency and probity as key foundations for good governance. The project was also designed to complement the AfDB IPFMRP-Phase II. Approved on January 30, 2018, although currently suffering implementation challenges such as slow disbursements due in part to the lack of a designated project management unit (PMU), the AfDB-supported project finances US\$9.67 million in activities around strengthening transparency and accountability in PFM, as well as enhancing domestic resource mobilization (DRM) from the natural resource sector. Activities include support for upgrading the IFMIS, improving debt management, macroeconomic forecasting and financial reporting. This project was designed to complement, rather than duplicate, the AfDB project.<sup>8</sup>
18. **The project directly supports the World Bank’s new human capital project (HCP) and agenda through strengthening systems.** First, by addressing critical PFM bottlenecks within the health and education sectors, PFMRIS will support increased quality and efficiency of public expenditure that will promote more and better investments in people for greater equity and economic growth. Second, support to Liberia’s tax policy and administration will lead to a) increased capacity of the GoL to mobilize resources; and b) more efficient tax collection, increasing resources for public service delivery and thus HC outcomes. Third, the development of an e-Procurement system and the strengthening of expenditure management will help strengthen the efficiency and effectiveness of HC investment expenditure. Finally, improving accountability—not only

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<sup>7</sup> Due to resource constraints, as well as the need to keep project complexity to a minimum, not all the Government’s requested activities are reflected in this project. This is also an acknowledgment that other development actors (in particular, the AfDB) are active in the area, such as cash management, (IMF), and strengthening the Liberia Anti-Corruption Commission (LACC).

<sup>8</sup> The AfDB project is supporting: IFMIS hardware and software upgrades; the launching of the IFMIS to counties; the LACC and other accountability institutions; aid data management; tax audit training and tax compliance techniques in the natural resources sector; and the enhancement of transparency and monitoring of PFM processes for the more efficient use of natural resources (including through the Liberia Extractive Industries Transparency Initiative, LEITI). The proposed project finances IFMIS-related initiatives (including the targeting of counties outside of the AfDB’s project for IFMIS roll-out). It focuses on the non-natural resource sector, DRM, and complements capacity building to accountability institutions to ensure synergies.



accountability institutions but also social accountability—will help ensure that HC and other expenditures occur in the manner in which they are budgeted and allocated.

19. **The proposed project also contributes to combating fragility and rebuilding the social contract.** Greater transparency around fiscal and budget management can help manage expectations from citizens on the quality and quantity of services they can reasonably expect given fiscal realities; it can also help increase trust in the government, addressing some of the drivers of fragility in Liberia. Enhanced citizen participation throughout the budget cycle brings government closer to the people, enabling greater trust, cohesion, and legitimacy. Finally, support to oversight and control institutions helps build more effective governance and rebuild the social contract.
20. **The proposed project likewise contributes to priorities around maximizing finance for development (MFD) and digital innovation.** The rationalization of tax collection can ease the cost of doing business, encouraging greater private sector development within country. Also, more transparent contracting and public procurement practices allow for fair competition and transparency in bids for government contracts, thereby allowing for the more efficient use of government resources as well as boosting competition; combined with doing business reforms, it also encourages small and medium enterprises (SMEs) a greater chance of competing for government contracts and thus growing their business. Supporting public sector IT interventions—Integrated Financial Management Information System (IFMIS), electronic funds transfer (EFT), a tax gateway, civil service module (CSM), e-Procurement, SIGTAS, Automated System for Customs Data (ASYCUDA), Integrated Tax Administration System (ITAS), and others—as well as the interfacing of the same, supports the overall automation of government processes and leveraging of their associated efficiency gains. This digital engagement will have spillover effects in the private sector and among citizens, helping encourage digital innovation of the Liberian economy and society. Critical to the Bank’s support to these interventions is the timely passage of the National ICT Policy by Cabinet; this will be a condition of disbursement for Component 2.
21. **Finally, the project also contributes to strengthening Domestic Resource Mobilization.** Component 1 was designed to support the ability of GoL to mobilize and manage domestic resources generating greater fiscal space for public service delivery. This will be done by addressing weaknesses in the country’s tax authority, in particular, through improving automated systems and ensuring their interface with IFMIS.

## II. PROJECT DESCRIPTION

### A. Project Development Objective (PDO)

#### PDO Statement

22. **The Project Development Objective (PDO) for the proposed project is to improve domestic revenue mobilization systems, and strengthen financial control and accountability in public finances.**

#### PDO Level Indicators

23. **The following PDO-level results indicators (Table 1), along with expected outcomes, are included in the project’s Results Framework in section VII.** Annex 3 presents a summary of the results chain.



Table 1: Expected Outcomes and Results Indicators

Expected Outcomes	PDO Indicators
Strengthened domestic revenue mobilization systems through improved online on time filing for large and medium taxpayers	1: ITAS Online, on time, large and medium taxpayer filing ratio for income tax, excise tax, and Goods and Services Tax (GST) (%)
Improved financial control in public finances through increased usage of the IFMIS in PFM for annual decision report production	2: MACs submitting to CAG quarterly financial statements using IFMIS data in a timely fashion (within 15 working days from end of quarter) (%)
Strengthened accountability in public finances through improved scrutiny over the implementation of the annual performance audit observations and recommendations	3: Frequency of PAC follow-up through GAC on implementation of annual performance audit observations and recommendations (Number)

B. Project Components

24. The project consists of the five components and twelve subcomponents described in the following paragraphs.

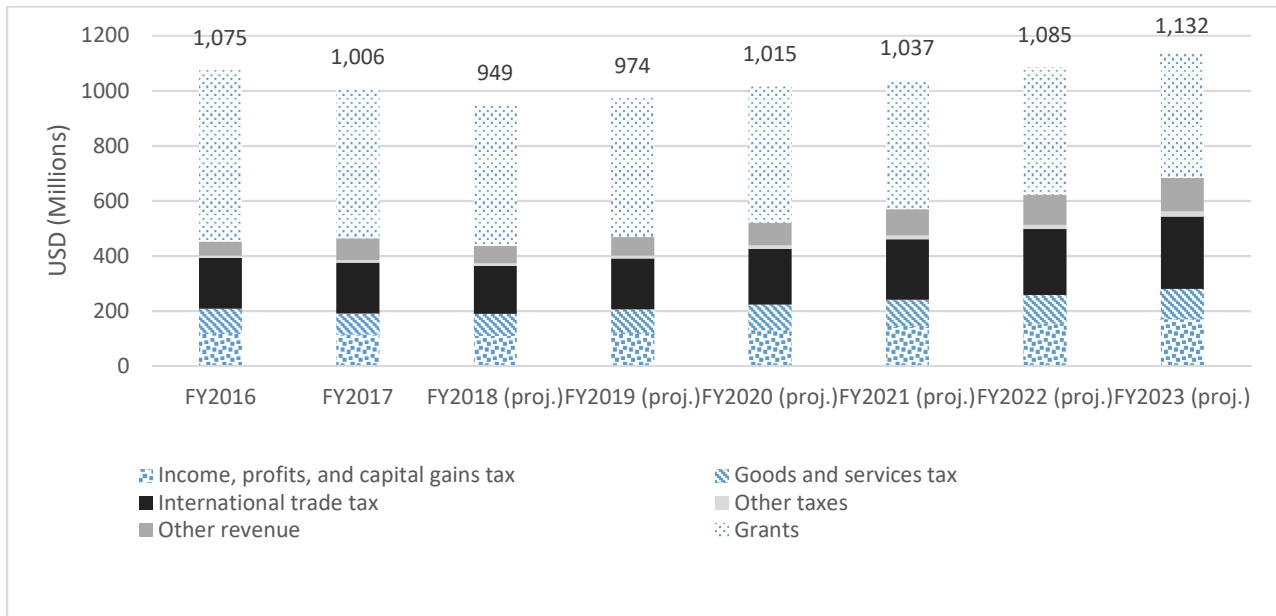
Component 1: Enhancing Domestic Revenue Mobilization Sources and Systems (US\$7.0 million equivalent)

25. Objective. This component is designed to improve taxpayer service and compliance to mobilize sufficient resources for the delivery of public services. GoL relies heavily on grants for its expenditure (see Figure ). Although Liberia’s tax-to-GDP ratio is relatively high—at 19.5 percent in 2015, 18.4 percent in 2016, and estimated at 18.5 percent for 2017, according to Government figures—it is expected to decline further, due to a decrease in commodity prices. Additionally, however, the accuracy of the GDP data used to obtain such ratios is in question.<sup>9</sup> Even if the figures may be accurate, a sizeable chunk of the national budget is allocated to salaries, including wages at 50 percent (2018-2019), as well as non-discretionary expenditures. This has consistently squeezed out budgetary allocations for operating costs that are essential for service delivery and capital development. The overall fiscal deficit in 2016/17 was 7.4 percent of GDP, because of less revenue collection than projected. The fiscal deficit is projected at 5.9 percent in 2017/18, and the Government aims at reducing the fiscal deficit to 3 percent of GDP in the medium term. Without improved capacity for revenue collection this target will be difficult to achieve.

<sup>9</sup> According to the IMF’s latest Article IV report (June 2018), the revenue-to-GDP for FY2018 was 12.9 percent.



Figure 1: Revenue Breakdown: 2016-2023 (in million USD)



Source: IMF (2018) Article IV Report.

26. **Status and issues.** The LRA’s current performance is sub-optimal as there is a significant strain on the GoL’s capacity to generate revenues from several sources. Despite the creation of the LRA and a strong tax revenue administrative framework, much needs to be done to build the capacity to mobilize tax and non-tax revenues and underpinning systems. Whereas the headquarters hosts SIGTAS and the ASYCUDA servers with internet connectivity, access to these systems does not exist for the 19 tax business offices and 11 customs border offices, except in Margibi County, which has basic IT. The current version of SIGTAS is not e-friendly, and users and administrators have expressed dissatisfaction with the system. The 2016 TADAT assessment observed that almost all SIGTAS functions are replicated manually; this reduces efficiency and productivity and hinders efforts to counter potential rent-seeking behaviors, which occur when constant contact exists between taxpayers and revenue officers. Improvements in revenue forecasting have helped reduce forecasting errors and have facilitated expenditure programming (Liberia’s 2016 PEFA score for PI-3, Revenue Performance, was B, up from D in 2012). However, payment arrears have been rising in recent years. Furthermore, the official figures for arrears, as presented in the debt reports prepared by the MFDP’s Debt Management Unit, only show historical arrears (before 2006).
27. The ASYCUDA World customs system, which assists the Government by automating and controlling core processes and functions around customs revenue management, should have an interface to the domestic tax administration and government accounting systems. Additionally, the existing ASYCUDA system is not rolled out to all customs service points in Liberia.
28. This component was built around two primary objectives: (a) To enhance tax policy capacity to support the design and implementation of tax base enhancing revenue streams, and (b) to address the weaknesses in tax administration identified in numerous reports including the TADAT assessment, through supporting the development of the basic technological infrastructure to allow efficient tax administration once new internal processes for basic functions of tax administration are in place. Given the high number of development partners (including GIZ, USAID, the EU, UNDP, Open Society Initiative for West Africa (OSIWA), IMF, Overseas



Development Institution (ODI), and the AfDB) supporting the GoL on DRM, ongoing donor coordination is needed to ensure that separate interventions are complementary and not duplicative.

29. Liberia currently implements a General Sales Tax (GST) with a narrow tax base. The GST is collected at the customs point of import, as well as on sales made by manufactures of domestic products. This scope limits the GST's ability to capture value added beyond the import-manufacturing point. The GST is levied on 11 specific services, which constitute almost 47 percent of GDP in Liberia. Multiple exemptions are provided under the GST regime, further narrowing the base and complicating administrative tax arrangements. In 2015/16, the GST contributed about 22 percent of the total tax revenue, with the GST on imports accounting for 16 percent of the total and the GST on domestic goods and services accounting for only 6 percent of total revenues. Compared to the Value Added Tax (VAT) in other West African Countries, the GST in Liberia has generated only 44 percent of what a comparable VAT would generate.<sup>10</sup>
30. Preparatory activities for the introduction of the VAT have been undertaken by the GoL, but political commitment and definitive timelines have not been established. A VAT development team — comprised of all directors, senior- and middle-level analysts from tax policy, and staff from the LRA — has been in place since 2017. A draft VAT law is available for validation. Draft VAT regulations have also been developed. However, there was limited political leadership from the top management team at the MFDP, under the previous government, regarding implementation of the VAT road map. The current MFDP political leadership plans a series of analytical activities, to support a revised VAT Cabinet Paper and legal framework that can be used to secure wider Executive and Legislature approval.
31. **Expected outcomes.** This component's activities will help generate a larger fiscal space for public service delivery through improved taxpayer services and compliance. This will be accomplished through: (a) building tax policy capacity, (b) tax administration capacity activities, as well as improvement of tax and customs systems interfaces with the IFMIS, and (c) upgrading customs and tax business offices.
32. **The following PDO indicator will be used to monitor this component:**
  - **PDO Indicator 1: ITAS Online, on time, large and medium taxpayer filing ratio for income tax, excise tax and Goods and Services Tax (GST) (Percentage).**

***Subcomponent 1.1: Improve Tax Policy (US\$0.8 million equivalent)***

33. The **objective** of this sub-component is to support the Government of Liberia's efforts in improving its tax policy capacity to enhance the tax base through among others, preparations to implement a broader based consumption tax (VAT), replacing the GST.
34. The **proposed interventions** to be financed will include the following: (a) the cost of undertaking analytical studies and validation workshops of the VAT White Paper, Law, and Migration Paper; (b) technical training, management training, and peer learning of the Revenue and Tax Policy Division (RTPD) and LRA to strengthen their capacity in tax policy analysis; and (c) equipping the RTPD office with information and communications technologies (ICT), and office equipment.

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<sup>10</sup> Sijbren Cnossen. "Mobilizing VAT Revenues in African Countries." *Policy Watch*. 2015.



***Subcomponent 1.2: Capacity Development and Strengthening the Technological Basis of Tax Administration (US\$6.2 million equivalent)***

35. The **objective** of this subcomponent is to strengthen the capacity of the GoL's tax collection system.
36. The **proposed interventions** will include: (a) reviewing and re-engineering internal processes, developing User Requirements and bidding documentation for a new ITAS; (b) upgrading of Tax Business Offices (TBOs), providing the necessary goods for upgrading the customs and tax business offices, and rolling out of ASYCUDA customs system to approximately five customs points; (c) providing training and other capacity building interventions to build staff and taxpayer skills and knowledge to manage VAT as well as improvement of tax and customs systems interfaces with the IFMIS; (d) conduct diagnostic assessments on the Recipient's tax administration; (e) improving hardware, LAN, and WAN connectivity; (f) completion, costing, and validation of the DRM Strategy; and (g) procuring TA services to ensure interim stability of the existing SIGTAS system and supporting the implementation of ITAS and developing a payment gateway to facilitate revenue collection, accounting, and reporting to the Central Government through IFMIS.<sup>11</sup> The following activities are viewed as critical to improving the capacity of the LRA in the medium term but not prioritized at the moment due to inadequate funds: (i) implementing a sustainable learning and development function in the LRA; (ii) ensuring certification of selected officers in taxation and accountancy; (iii) equipping the LRA's training center; and (iv) support to ensure effective reconciliation processes to identify stocks and flows of tax arrears.
37. **The following intermediate indicators will be used to monitor this subcomponent:**
- **Intermediate Indicator 1: Online ITAS Filing Services available.**

**Component 2: Stabilizing and Strengthening Performance of Financial Controls and Systems (US\$3.2 million equivalent)**

38. **Objective.** This component is designed to finance the introduction of the IFMIS (including the Civil Service Module (CSM) in approximately 35 of the remaining 57 Ministries and Agencies<sup>12</sup>, as well as stabilize and strengthen IFMIS implementation across MACs. It will also finance the integration of IFMIS and other IT systems, including coverage of the Government's PFM systems and control for effective fiscal and financial accounting to allow for timely and accurate financial reporting.
39. **Status and issues.** PFM financial controls and accountability are weak in Liberia. The IFMIS has been launched in 50 MACs, allowing for the provision of basic fiscal data with which to manage a fragile economy. However, the infrastructure and network connectivity must be stabilized before completing the rest of the IFMIS rollout, as well as anchoring core aspects of interoperability into the system. Furthermore, the IFMIS has been launched in MACs — without approved IFMIS recovery and disaster recovery strategies. Given that a lot of other IT systems are being contemplated, the project is financing (under the Project Preparation Advance, PPA) the development of an overarching IFMIS Roll Out Strategy to cover the launch of the system to the remaining 57 MACs. It will also provide a platform into which other PFM IT systems can be either integrated or interfaced. Approval by the World Bank of the IFMIS Strategy will be a condition of disbursement for Component 2.

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<sup>11</sup> This component will complement the Liberia and Sierra Leone Tax Reform Technical Assistance project (P168416) designed to produce a policy note and a series of advisory technical notes for the MFDP and LRA on: tax system and revenue code, VAT impact, tax privileges, mining and natural resource taxation, among others.

<sup>12</sup> If additional resources were to become available all 57 agencies could be covered eventually.



40. **Expected outcomes.** This component's interventions will increase the transparency of financial reporting, leading to more efficient management of public expenditure. This will be accomplished through further rollout of the IFMIS to as many MACs as possible, as well as the activation and interfacing of the Budget Module with the Financial Accountability Suite.

41. **The following PDO indicator will be used to monitor this component:**

- **PDO Indicator 2: Percentage of MACs submitting to CAG quarterly financial statements using IFMIS data in a timely fashion (within 15 working days from the end of quarter).**

***Subcomponent 2.1: IFMIS Improvement and Rollout Support (US\$2.1 million equivalent)***

42. The **objective** of this subcomponent is to ensure the usage of the GoL's IFMIS for financial and fiscal reporting.

43. **The following intermediate indicator will be used to monitor this subcomponent:**

- **Intermediate Indicator 2: IFMIS launched in 35 additional MACs (Number).**
  - **Supplemental Indicator: Number of MACs using CSM.**

***IFMIS Enhancement: Expansion, Budget Module, and EFT (US\$1.5 million equivalent)***

44. The **proposed interventions** will include: (a) developing an IFMIS strategy (including roll-out of the CSM) and conducting a study tour to provide lessons where FreeBalance Version 7.0 has been successfully implemented; (b) expanding and enhancing IFMIS vertical functionalities (including activation and use of budget, asset management, and cash management modules, Asset and Inventory Management and enhancing the treasury management module<sup>13</sup>); (c) establishing a help desk system; (d) developing and implementing IFMIS interfaces with other PFM systems, such as ASYCUDA, ITAS and a revenue collection gateway, the aid information management system (AIMS), and the debt management platform (CS-DRMS); (e) the development of the interface between the Central Bank of Liberia and IFMIS to provide necessary services including electronic funds transfer and automation and integration of the GoL's recurrent payments; (f) promoting IFMIS connectivity; (g) providing partial support for disaster recovery of IFMIS and transition to national data center; and (h) initiating the rollout of the Electronic Document Management System (EDMS).

45. Liberia's budget preparation process is conducted on the basis of the Chart of Accounts (CoA), which is Government Finance Statistics (GFS) 2001 compliant with regard to revenues and expenditures. The same administrative and economic classifications are used to report information on expenditures and revenues in all the relevant budget-related documents. In the past few years, the budget process has entailed disclosing the broad parameters of fiscal policies in advance of the Executive's Budget Proposal. It has also entailed outlining the government's economic forecast, as well as anticipated revenues, expenditures and debt. The legislature does not examine in-year budget reports and does not publish such results. Among other weakness, the budgets are normally unrealistic and give rise to consistent variances between appropriations and what is spent. Owing to a lack of realism, significant expenditure arrears accumulate. Their size cannot be determined with accuracy given the Excel commitment system being used to maintain the level of monthly and quarterly commitments. This is compounded by the fact that preparation of the budget uses a locally developed system (bespoke) that utilizes an Excel sheet. This makes it easier to move funds from one line to another — without due approval by the legislature, as required in the PFM Act.

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<sup>13</sup> Including automatic bank reconciliation.



46. This activity will therefore address the weaknesses by financing the activation of the Budget Module within the existing FreeBalance version 7.0 that was purchased through the IPFMRP. When activated, the suite will automate the management of the entire budget cycle, including policy-based budgeting, medium-term expenditure frameworks (MTEFs), budget transfers, and spending priorities. It will also establish the key controls in the budgeting process. The critical expected improvement in the activation of the Budget Module will be the strengthened commitment control for overall GoL expenditures. The absence of the activated Budget Module has caused serious volatility in budget management, negatively impacting serious delivery across the government.
47. Currently, the MFDP makes recurrent cost payments through voluminous checks. The processing of such payments is said to be one key driver of rent seeking, where those authorizing officers for payments are said to demand a portion before the checks can be signed. The current system takes the key decision makers away from their core mandates, as they are wasting time signing about 1,000 checks a day. As such, they have little time left to participate in strategic policy management of their respective ministries and agencies. At times, the system has also led to check losses.
48. All Liberian commercial banks have the capability to originate and receive direct deposits on behalf of their customers through the Automated Clearing House (ACH) system and the Real Time Gross Settlement System (RTGS) for high value transactions. EFT will allow the Central Bank of Liberia (CBL) to make direct deposits from government accounts to vendors and service providers for the MFDP, as well as for ministries and agencies. It will enable the government to make direct deposits for all civil servant salaries and make direct transfers to ministries and agencies. Implementation of EFT will lead to greater speed, and will save time for processing, including the time civil servants spend on cashing their funds at banks, thereby eliminating the huge volumes of paper currently being used. Thus, it will reduce the extent of fraud and corruption and ensure accuracy of payments. The system will help control expenditure; introduce seamless automation of payments of civil servant salaries, as well as pension benefits to vendors and other MDAs; and enable easier BoL bank reconciliation through good paper trails. The MFDP will lead the effort and will be supported by the CBL and the LRA.

*IFMIS Rollout to MACs, including Change Management and Training (US\$0.6 million equivalent)*

49. The **proposed interventions** will include: (a) the roll out of the IFMIS to 35 of the remaining 57 MACs; (b) building the capacity for MAC Directors of Finance and users to use the system, including training to process transactions end-to-end and prepare financial reports using the IFMIS and developing and implementing MAC change management plans; (c) supporting change management activities and providing the required training to the end users and IT professionals, and establishing a monitoring system for deciphering resistance to change; and (d) providing technical support to MACs on using system data for enhanced decision making.

***Subcomponent 2.2: Enhancing the Budget Framework (US\$0.5 million equivalent)***

50. The **objective** of this subcomponent is to support the GoL in preparing its MTEF and mainstreaming gender considerations into the national budget.
51. The **proposed interventions** will include: (a) training of a cadre of core MFDP staff within the Budget department to use the principles based on the new MTEF implementation strategy to spending entities through various budget management committees (BMCs), including updating and preparation of the MTEF manual (including the incorporation of gender into economic models on which the MTEFs are based); and (b) providing support for the implementation of the national policy and annual work plan of gender responsive





planning and budgeting (GRPB), which includes providing support to collect data disaggregated by gender in education, health, and agriculture and establish indicators and baseline data, and acquiring TA to build the capacity of the national coordination GRPB Unit for the training of policy-makers, planners, and budgeting institutions within MACs so as to support the implementation of gender budgeting in Liberia with an end goal of eradicating gender-related restrictions on poor women's lives. This will include a needs assessment to understand the effect to date on earlier gender-sensitive budgeting (supported by IPFMRP) and identify whether and how MACs are using such gender markers to screen programs and activities.

***Subcomponent 2.3: Preparing for modernization of Procurement Systems in the Public Sector (US\$ 0.3 million equivalent)***

52. The **objective** of this subcomponent is to improve the efficiency and oversight of public procurement through the design of a roadmap for the modernization of the procurement system. It will provide the basis for the future adoption of a modern procurement system, which will assist in improving procurement planning and associated systems and will enable efficiency, transparency, and integrity, in public procurement.
53. Currently, Liberia's procurement systems face a number of challenges, despite having made a number of improvements after the civil war. The current paper-based systems are prone to errors. There is over use of single sourcing—which has been steadily declining—that was partly the result of the devolution of procurement powers to ministries and agencies that lack sound principles of good procurement planning. The Public Procurement and Concession Commission (PPCC) lacks core trained procurement specialists to conduct continuous training of procurement professionals in the ministries and agencies. The PPCC also lacks IT infrastructure, including accounting software to enhance the work of the institution, bringing more accuracy to its work. The public lacks access to procurement information such as bidding opportunities, contract awards, as well as data about resolution of procurement complaints (procurement plans are increasingly being published on the PPCC website, thanks in part to support from the EU).
54. The **proposed interventions** include: (a) reviewing and redesigning existing procurement processes where applicable including propose amendments to the Public Procurement Act (2010); (b) developing a road-map towards an integrated e-Procurement system; and (c) conducting public awareness campaigns/outreach on the proposed amendments to the Procurement Act and other potential procurement reforms. If additional resources subsequently become available, these could be used to pilot the basic modules of an e-procurement system, based on revised processes, that will be able to support online publication of tenders, solicitation of bids and enhancement of vendor registration, and procurement functions. In addition, additional resources could be used to develop the internal capacity of the PPCC with regard to compliance and monitoring and support the decentralization of procurement functions of the spending entities to strengthen county-based procuring entities.
55. **The following intermediate indicator will be used to monitor this subcomponent:**
  - **Intermediate Indicator 3: e-Procurement modernization roadmap developed.**

***Subcomponent 2.4: Open Data (US\$0.3 million equivalent)***

56. The **objective** of this subcomponent is the development of a dynamic open data ecosystem rich in both the supply and reuse of open data.
57. The **proposed interventions** are consistent with the Open Data Readiness Assessment (ODRA) report, including through provision of technical advisory services for: (a) collating, digitizing, and releasing existing development data to the public, including digitizing and releasing high-value datasets, as well as opening



existing government data and also developing and maintaining up-to-date online agency data inventory for MFDP and participating MACs; (b) designing and developing an open data portal for the recipient MDFFP (to include other interested MACs), including technical assistance and hardware necessary for maintenance to enable government agencies to download economic data; and (c) strengthening data literacy skills within MFDP, officials and among the broader population around budget and fiscal data. Complementing this last activity will be support for the development and chairing of an inter-ministerial Open Data Council that convenes relevant stakeholders inside and outside of Government to define and follow through on supporting an open data agenda within Liberia.

**Component 3: Improving Public-Sector Capacity for Enhanced Oversight and Accountability (US\$2.62 million equivalent)**

58. **Objective.** This component will boost internal and external oversight by strengthening core accountability and integrity institutions, as well as providing support for the ability of civil society to participate in evidence-based policy discussions.
59. **Status and issues.** Key internal and external accountability functions and institutions, while improving, remain weak. Indeed, two-thirds of the Internal Audit Agency (IAA) risk recommendations have consistently *not* been implemented as of June 1, 2017. Likewise, budget transparency and participation are limited, as the GoL provides the public with minimal budget information. It is also weak in terms of providing the public with opportunities to engage in the budget process, according to the latest Open Budget Survey. Moreover, the Legislature provides limited oversight during the budget planning stage, thereby further reducing opportunities for public participation. The GAC has been operating as an independent body since 2005, reporting directly to the legislature. However, there have been delays by the PAC in scrutinizing the completed audits and little follow up to confirm if the Legislature’s recommendations are being adopted by respective implementing units. Finally, the MFDP’s Financial Management Training School (FMTS) continues to strengthen the institutional capacity for effecting PFM reforms in Liberia by building FM, public procurement, and accounting skills within the GoL’s public sector through the provision of graduate training. This functional aspect of the FMTS is expected to be transferred to the University of Liberia to further institutionalize it.
60. **Expected outcomes.** The component’s interventions will improve the oversight of public sector activity by the Parliament, external and internal auditors, and Civil Society, thereby leading to more effective public expenditure. This will be achieved through: (a) full implementation of the IAA Act; (b) the procurement and use of computer-assisted auditing techniques (CAATs); (c) strengthening the role of the legislature across the budget process; (d) support to communities to conduct social audits in health and education; (e) support for dissemination of citizen’s budgets (developed by the Budget Policy and Coordination Unit, BPCU); (f) institutionalization of citizen participation in annual budget discussions; and (g) the building of the capacity and professionalism of the GoL’s civil service.
61. **The following PDO indicator will be used to monitor this component:**
- **PDO Indicator 3: Frequency of PAC Follow-up through GAC on Implementation of Annual Performance Audit Observations and Recommendations (Number).**



***Subcomponent 3.1: Improving Parliamentary, and Internal and External Oversight Effectiveness (US\$1.42 million equivalent)***

62. The **objective** of this subcomponent is to improve the GoL's internal and external oversight by strengthening core accountability and integrity institutions, and by supporting the ability of non-state actors (NSAs) to participate in evidence-based policy discussions.

63. **The following intermediate indicators will be used to monitor this subcomponent:**

- **Intermediate Indicator 4: Number of MACs and government policies/programs subject to Performance Audit (Number).**
- **Intermediate Indicator 5: Number of citizens and civil society organization representatives that participate in annual budget discussions and are updated on the implementation of the year prior's citizen recommendations to the budget.**
  - ***Supplemental indicator: Citizens participating in annual budget discussions, proportion of which is female***
  - ***Supplemental indicator: Citizens participating in annual budget discussions, proportion of which are from outside of Monrovia (Percentage)***

*Internal Audit (US\$0.25 million equivalent)*

64. The **proposed interventions** include: (a) procuring TA for a post-implementation review of the Government's internal audit and risk management software, and assisting the IAA with the development of a capacity strategy based on recommendations from the review; (b) developing and establishing risk registers in MACs, including development and distribution of IAA manuals; (c) Support to roll out internal audit regulations;<sup>14</sup> (d) enhancing professionalism in the Internal Audit function through the acquisition of relevant professional certifications by auditors;<sup>15</sup> (e) provide training in IT audit skills; (d) conduct Professional Certification training for senior internal auditors so as to become certified fraud examiners; (e) support to train Internal Auditor Directors on CAAT software; and (f) support to roll out of CSM to improve IAAs human resource and personnel back office processes.

*External Audit (US\$0.75 million equivalent)*

65. The **proposed interventions** will include: (a) long-term TA for the development of a template for performance audits;<sup>16</sup> (b) enhancing audit engagement to clear backlog of audits; (c) conducting compliance audits to determine the degree of government engagement with national and international commitments to gender equality, such as the Convention on the Elimination of all Forms of Discrimination Against Women; (d) facilitating networking and knowledge-transfers with other supreme audit institutions including general capacity building trips; (e) enhancing audit support through procurement of ICT equipment in support of audits; (f) hiring of an external auditor to audit the GAC; (g) procurement of two utility vehicles that will enhance mobility and help increase audit coverage; (h) provision of training to the GAC on best practices on forensic audits; and (i) reviewing GAC's legal framework to ensure the GAC's compliance with the underlying legal framework.

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<sup>14</sup> To complement support from the United Nations Development Programme (UNDP) on the development of regulations.

<sup>15</sup> To complement support from AfDB, which is supporting IAA with CIA Part 1 exams. This project will support a maximum of 40 staff on CIA Part 2.

<sup>16</sup> To complement ongoing technical assistance funded by the EU in support of performance auditing.



*Public Accounts Committee (PAC) (US\$0.07 million equivalent)*

66. Committees are the engine room of parliaments. This is particularly the case with committees tasked with scrutinizing the budget and audit reports as they have a disproportionate workload tied to the ongoing budgeting cycle. Effective committees require professional secretariats that support the functions of the committee through the provision of administrative, procedural, and analytic support. Professional secretariats that support committees tasked with scrutinizing the budget and audit reports also require technical PFM knowledge to support their members and innovative approaches to engaging citizens in the committees' work.
67. The **proposed interventions** include: (a) training PAC members in committee business procedures to improve the efficiency and transparency of committee operations; (b) strengthening inquiry/hearing practices, including at the county level, to enhance impact, address backlogs, and encourage greater citizen engagement; (c) introducing the use of speech-to-text software to be used by PAC and others to increase efficiency and refocus internal capacity on supporting committee inquiries; and (d) acquisition of TA to train members on how to examine the statement of accounts showing income and expenditures of State Owned Enterprises (SOEs).

*Oversight by Non-State Actors (US\$0.35 million equivalent)*

68. The **proposed interventions** to be financed will include the following: (a) strengthening of the capacity of civil society organizations (CSOs) and media institutions to ensure transparency and accountability in the use of public finances through capacity building, training on Freedom of Information Act for civil society and the media, and direct support to the NSA Secretariat of the MFDP; (b) institutionalizing the mechanisms for capturing public perspectives on budget matters, particularly through citizen participation in the annual budget process and socialization of the annual Citizen's Budget developed by the BPCU; (c) support to the OGP agenda in Liberia, including through support to the development of national action plans, socialization of the OGP process, and implementation of national action plan implementation; and (d) provision of subgrants to CSOs and media institutions to ensure transparency and accountability in the use of public finances; documentation and reporting on all aspects of public financial management at the national and local government levels and building a constituency for public financial management reforms across government and within Liberia.

***Subcomponent 3.2: Institutional Capacity Building (US\$1.2 million equivalent)***

69. The **objective** of this subcomponent is to ensure the enhanced capacity of the Reforms Coordination Unit (RCU) in performing its strategic function of coordinating and monitoring the status of PFM reform coordination across the Government and build national PFM capacity (including public procurement) to strengthen the GoL's civil service.
70. **Status and issues.** The MFDP's RCU suffered a major setback since the IPFMRP. At that time, its mandate was reduced to just implementation and coordination of the project, which was managed as a program through pooled financing. Most of the key functions of coordinating PFM reforms, evaluating their status, and engaging with partners regarding thematic gaps within Liberia's PFM Reform Strategy were seriously weakened. After the closure of the initial program, several partners started financing GoL reforms away from the pooled arrangement, which was not centrally managed within the MFDP. The situation was exacerbated by frequent changes of the RCU coordinators. For instance, a second coordinator and his deputy were removed owing to integrity issues. Thereafter, the replacements were not able to coordinate and work closely with the partners,



as would have been expected. A large number of staff was also hired into the RCU, which increased the cost of salaries and emoluments for such staff rather than being redirected to core PFM reforms. Since the functions of the RCU were mostly mixed with those of implementation, the overall project results from the IPFMRP were sub-optimal. Furthermore, there were issues of persistent institutional coordination challenges, a lack of communication between the RCU and beneficiary institutions, and an absence of robust guidance on monitoring and evaluation (M&E).

71. A key lesson from the IPFMRP was ensuring that the RCU focus on its core mandate of policy reform. To enable this, a small PMU, to implement the project, will be constituted and comprised mainly of civil servants. They will be paid by the GoL and will be constituted to leave the RCU with the broader coordination function of overseeing overall governmental PFM thematic reforms, as outlined in the 2017-2020 Strategy. The PMU will be responsible for managing the PFMRIIS project under the leadership of the Minister of Finance and Development Planning, who has delegated the Deputy Minister of Fiscal Affairs to oversee the unit and provide the political leadership for the project.
72. The **proposed interventions**<sup>17</sup> will include: (a) support for the RCU to finance the next PEFA assessment and also establish a comprehensive system for monitoring and collecting status of PFM reforms across government; (b) support for overall PFM reforms, including the conducting and updating of the PFM Reform Strategy and Action Plan (2021-2024) based on the findings of the PEFA; (c) technical support to the RCU to enable it to perform its core mandate; (d) the transition of the Master of Business Administration (MBA) in Public Finance into the University of Liberia. This would be done through the establishment of a graduate resource center and the upgrading of teaching facilities; (e) professionalize public procurement through PPCC's vertical education in procurement, professional certification, licensing, and continuing professional development, in coordination with the Liberia Institute of Public Administration (LIPA); (f) acquire TA to strengthen the Liberian Institute of Certified Public Accountants' (LICPA) Secretariat and Syllabi Integration Program (SIP); (g) fees and tuition costs for ten MAC accountants to enroll to be professional accountants, with a preference for LICPA membership; and (h) resources for a study tour for up to two LICPA executives to understudy how other professional bodies and principal accounting offices set, print mark, and distribute exams.
73. Recruitment of long-term advisors to be embedded within the RCU will be phased, depending on the availability of financing within the project (and, potentially, other financing). Advisors to be recruited once financing was available would include: International IFMIS Strategic Reform Advisor, IT/Change Management, and an International Procurement Policy Reform and Capacity development Advisor. Depending on the availability of resources, other thematic PFM strategy long-term support will be provided in a phased manner such that those that are initially hired are focused on providing support to the six central PFM reform fields, as articulated in the current PFM Strategy. These six reform priorities are: the PFM legal and regulatory framework; budget credibility; domestic resource mobilization; robust and linked systems and processes; financial reporting; and external scrutiny (transparency and accountability). Annex 1 details the support to be provided to build the capacity of the RCU.

#### **Component 4: Improving Upstream and Downstream PFM Systems in Selected Sectors (US\$4.3 million equivalent)**

74. **Objective.** This component was designed to reduce the extent of existing core PFM-related bottlenecks within the chosen sectors that significantly impede the goal of improved service delivery systems, a necessary

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<sup>17</sup> These RCU activities are separate from project management activities under the PMU (in Component 5).



precondition toward improving Liberia's human capital. The selected agencies—Ministry of Health (MoH) and Ministry of Education (MoE)—lack the administrative capacity to set realistic targets, evaluate results, and make use of performance assessments in their resource allocations and management decisions. The component will support strengthened coordination between various programs being implemented in the two sectors, including approaches and funding mechanisms. The component will help to streamline service delivery processes, avoid duplication, and prevent the increase of chances of corruption. It will also address the need to focus on key processes necessary to establish a planning and budgeting system that creates incentives to focus on and contribute to the improvement of service delivery outcomes.

75. Core service delivery aspects provided by the selected ministries are intended to enhance the social contract between citizens and Government. There is currently a serious lack of citizen oversight regarding the underlying budget process. Although there are many factors that would enable citizen oversight, access to information about the process and outcomes of services—which is currently lacking—is critical. Therefore, the project will support the tracking of expenditures, thereby establishing transparency and accountability of services. This will facilitate better quality and quantity of service delivery, through targeted disbursement-linked indicators (DLIs) that encourage the relevant PFM reforms.
76. **Status and issues:** The health and education sectors face several PFM-anchored impediments that hinder more effective and efficient service delivery. The health sector's budgetary processes are less participatory, a consequence of the poor communication and collaboration among MoH departments and units. The budget of the MoH does not follow the MTEF to ensure a long-term view to providing services, especially with less qualified staff in accounting. The Ministry's PFM systems also do not track in-kind donations. Planning for budget execution remains difficult due to budgetary allocation uncertainties that lead to low budget execution rates, thereby adversely impacting service delivery. At the County Health Team (CHT) levels, implementation does not follow cash forecasts, as allotments received often vary widely from forecasts submitted to the Ministry. No budget analysis is done at the CHT. This analysis is a key input for the budget preparation process. Delays have been persistently observed in cash transfers to service delivery points. Therefore, the Ministry may be obliged to pay significant sums of money to some suppliers. It has also been noted that some supply chain personnel are not on the Ministry's payroll. This adversely affects their motivation and performance. Significant delays have also been noted to putting personnel onto the Ministry's payroll. Thus, CHT facilities maintain parallel payrolls to account for essential health care workers who are not on the Government's general payroll.
77. To address these bottlenecks, the project will have two DLIs designed to improve the comprehensiveness and reliability of MoH's planning and budgeting processes, as well as boost its financial reporting capacity for greater financial reporting and transparency. One DLI will focus on boosting the participation of MoH departments and units in the annual planning and budget process, the first issue identified within the Joint Financial Management Assessment (JFMA) of 2016 for its role in hampering improved planning and budget preparation in the sector. Broadening this participation to all relevant units will boost the quality of both. This will be complemented by a second DLI, on supporting and providing the financial incentive for MoH to increase its compliance with quarterly financial reporting requirements, not only at the national level, but also at the county and CHT levels as well.
78. In education, the quality and supply of teachers and working conditions are major factors affecting service delivery. The teaching workforce has more than doubled over the past decade and up to 90 percent of MoE's annual recurrent expenditure is on salaries and allowances. However, the system still has teacher shortages with about 6,600 classrooms lacking a teacher, according to the latest available data from the 2017 Education Sector Plan. There are complications with payroll management due to a lack of alignment between payroll



lists which are housed at three government agencies. The Government does not have a clear understanding of education expenditure nor can they clearly track expenditure. The share of teachers at each level is the best estimation of education investment. Budget execution consistently falls far below appropriations and affects service delivery and the new procurement rules have been found to delay spending in the areas of goods and services, also adversely impacting service delivery.

79. Given limited available financing, the more efficient use of resources within the education sector can lead to better performance and improved service delivery. One PFM bottleneck hampering greater efficiency in the allocation and use of resources concerns the disconnect between the MoE personnel data and payroll registries, with the latter being managed by the Civil Service Authority (CSA). Non-interoperable databases, inter-ministerial communication challenges, bureaucratic procedures, and human error have led the Ministry to inadvertently pay teachers who: a) appear more than once on the payroll, b) are unable to work and/or should have been retired, or c) are absent (have passed away or teachers who shirk their duties). The Government is also unable to replace teachers and begin paying new teachers in a timely manner. The MoE estimates that it takes about five to six months from the time the deletion request is submitted until the first pay to a replacement teacher is received. However, this process can in fact take more than 1.5 years. Thus, these complications divert resources away from qualified, working teachers and drag down the educational performance of students. One major impediment to more timely replacement of teachers is delays associated with the Personnel Action Notice (PAN), which records all actions of civil servants from entry to exit: (i) employment, (ii) changes/updates, and (iii) exit. A PAN for action iii also necessitates a Form C, the Earning History requirement for National Social Security and Welfare Corporation (NASSCORP) to retire a civil servant, which adds an additional layer of complexity.
80. A comprehensive teacher vetting and testing project was conducted by IAA in February 2018. The independent audit by PricewaterhouseCoopers (PWC) of this project confirmed that the Ministry successfully removed 83 percent of the sector's 2,046 ghost teachers. The removal of 908 ghost teachers generated US\$2.3 million in savings annually and allowed for the hiring of 1,371 new and qualified teachers.<sup>18</sup> However, to ensure that ghost workers do not creep back into the system, continual vetting needs to take place based on an up-to-date personnel register. The two health sector DLIs selected for this project will work to address these interrelated PFM bottlenecks. These interventions are being complemented by parallel Global Partnership for Education (GPE)/donor-financed projects in the sector.<sup>19</sup> In selecting the DLIs, the project task team has worked closely with sector colleagues in education and health who have a deep knowledge of core impediments to service delivery, as well as knowledge about other ongoing and planned projects to ensure there is no duplication with sector-specific interventions.
81. The objective of the education DLIs is for MoE to be able to better manage its human resources and reconcile GoL's payroll monthly using robust and accurate personnel data. The DLIs are designed to: a) improve the efficiency of teachers' payroll administration by streamlining changes to payroll; establishing an Inter-ministerial committee on education salaries to improve alignment and communication between the different

<sup>18</sup> Karima Ladhani and Michael Sinclair. "Creating Fiscal Space Where There is None: Examining Liberia's Teacher Vetting and Testing Project." Harvard Ministerial Leadership Program. 2018. Five hundred seventy-five ghost employees were removed from the MoH, generating US\$1.6 million in savings annually. Additionally, accordingly to IAA, 205 ghost employees were removed from the Ministry of Justice, 317 from the Liberia National Police, 80 from the Liberia National Fire Service, 1,975 from the Liberia Immigration Service, and 202 from the Liberia Drug Enforcement Agency.

<sup>19</sup> More specifically, the education DLIs were designed to complement those of the World Bank-financed *Getting to Best in Education* Project (P162089). This project, which became effective on June 25, 2018, has one two-part DLI aimed at improving the system of teacher payroll management.



government agencies responsible for payroll management; and developing and publishing payroll analysis; and b) validate data in the personnel database through checks to help improve the quality of the teaching workforce. These DLIs help push for transparent and published payroll information, which will help prevent ghost teachers from creeping back into the system. This will be done through the development of a consolidated MoE personnel database with the following fields of data: County, district, school/office, employee code, EMIS code (for schools), name, position, qualification, payroll status, payroll number, age, and salary. This database will then be checked by reconciling it with data collected directly from Liberia's 2,500 public schools. To ensure that the database remains up-to-date, field education workers will update their personnel files at the end of each month. This will also better prepare the MoE for the adoption of the CSM once it is rolled out to the Ministry, as the proper use of CSM demands a separate personnel registry to ensure the integrity of the data.

82. This well populated personnel database will facilitate MoE's monthly task of reconciling their data with that of CSA's dummy payroll. The cleaning of payroll will be facilitated through the development of an e-PAN that automates the processing of MoE signatures to submit to CSA to undertake any action on MoE personnel files within payroll; it would also include rationalizing and automating Form C, for NASSCORP. This automated system will be developed by the CSA, following completion of an ongoing business process review of the current analog PAN process, and will allow the Ministry to accelerate the procedural requirements of CSA by a) generating an electronic letter that can be re-created at any time in the event of misplacement and b) allowing for real-time tracking of the status of the letter's signatures. This would replace the current, analog procedure, which is inefficient because a) the PAN often gets misplaced as it gathers required signatures; b) teachers have to travel to Monrovia to check on the status of their PAN, leading to out-of-pocket expenses and pulling them away from the classroom (sometimes for weeks at a time); and c) MoE cannot systematically track PANs to ensure progress in signature collection. The result is that it takes too long to pay new teachers or remove teachers that should not be on payroll, the latter leading to significant losses of public resources. According to MoE estimates, as of August 1, 2018, there were 1,527 active teachers who qualify for retirement, many of whom are likely not showing up to teach regularly. These teachers cannot be removed from payroll until the CSA funds their pensions and agrees to move them to the CSA pension payroll. As the average teacher salary is approximately US\$2,000 per year, this means that the MoE is spending over US\$3 million per year on teachers who are not in the classroom.
83. When selecting the four DLIs, the task team acknowledged that resources alone do not determine outcomes on the ground. Thus, politics may intervene — either in enabling or constraining the role between policy intention and implementation. Therefore, the selection of the two sectors considered the characteristics and mode of delivery. The two sectors were also chosen considering the following factors: sector characteristics, alliances and coalitions that need to happen for improved service delivery; balance of power between actors and the nature of the level of political commitment from above. The selection also considered relations between formal and informal sources of authority, relations between different levels of government and the level of capture and clientelism measured against the backdrop of citizen expectations and social contract.
84. In parallel, and to build the capacity of the two Ministries, the project will also provide TA and financing for building M&E capacity. This will help ensure that the line ministries are able to identify bottlenecks affecting the delivery of the identified DLIs, formulate key actions to address them, and undertake downstream monitoring processes to ensure that the chosen actions are delivering the desired impact. The interventions will be complemented by additional specific investments.
85. **Expected outcomes.** The component's interventions are designed to improve the PFM enabling environment necessary to improve service delivery systems.





***Subcomponent 4.1: Strengthening Foundations for Improved PFM Systems in the Health and Education Sectors (US\$0.3M equivalent)***

86. The **objective** of this subcomponent is to improve the efficiency of expenditure in sectors by strengthening wage bill controls and undertaking expenditure audits.
87. The **proposed interventions** will include: (a) providing technical and financial support to MFDP to conduct high-level Public Expenditure Tracking Surveys (PETS) in the health and education sectors, as well as ensure that the findings are applied to the sectors to ensure greater efficiency and effectiveness; and (b) rationalization and automation of processes to effect personnel changes within the civil service. The resources currently allocated are likely to be insufficient (since what is required to deliver the full system is US\$10 million), but will provide an initial basis for work, which can be expanded if and when further resources become available.
88. CSA will rationalize and automate the PAN, which currently involves 18 steps, and include Form C within the solution. This will be piloted within the Ministries of Education, Health, and Finance before being rolled out to all MACs under the CSA's mandate.

***Subcomponent 4.2: Improving PFM Systems in the Health and Education Sectors (US\$4.0 million equivalent)***

89. The **objective** of this subcomponent is to improve the PFM enabling environment within the health and education sectors with the goal of improving service delivery.
90. GoL activities related to achievement of annual DLI targets are: (i) enhancing coordination among MoH departments and units within the ministry's planning and budgeting processes; (ii) support to improve the timely submission of quarterly financial reports by MoH at county and CHT levels; (iii) digitizing and consolidating all MoE personnel data into one single database; and (iv) validating and cleaning up MoE personnel data through data collected by county and district education officers to more effectively reconcile personnel data with payroll data.
91. Consultations with a broad array of stakeholders point to payroll management as the single most critical PFM-related bottleneck to improved service delivery in the education sector. The project's interventions were designed to complement payroll-related interventions within the GPE.
92. **The following DLIs will be used to monitor this subcomponent:**
- **DLI1(a): Increase the percentage of County Facility Level submission of financial reports to MoH within ten working days of the end of each quarter;**
  - **DLI1(b): Increase the percentage of the County Health Team's level submission of financial reports to MoH within ten working days of the end of each quarter;**
  - **DLI2: Increase in percentage of MOH units that are participating in planning and budgeting processes;**
  - **DLI3: MoE HR Database checked and reconciled through verification of HR personnel records at the public schools (text); and**
  - **DLI4: Improved personnel management of the education sector to improve teachers monitoring (text).<sup>20</sup>**

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<sup>20</sup> This will complement DLI 2.1 within the Getting to Best in Education (P162089), which measures the existence of a register of teachers on Government payroll updated and published.



93. The next two tables detail the specifics of the DLIs. DLIs 1 and 2 are scalable (with details to be spelled out in the project implementation manual (PIM). Table 2 explains the targets; Table 3 explains the verification protocol. Annex 2 provides more information on the DLIs.

**Table 2: DLIs (in US\$) and Targets**

DLI	Baseline	To be achieved by Year 1 (2020)	To be achieved by Year 2 (2021)	To be achieved by Year 3 (2022)	To be achieved by Year 4 (2023)
DLI1a: Increase the percentage of County Facility Level submission of financial reports to MoH within ten (10) working days of the end of each quarter	7% (to be reset to 0 each consecutive year)	24% (at least 14% receives \$62,500 of the DLI allocation, with \$6,250 for every additional 1% up to a maximum of 24%)	46% (at least 36% receives \$62,500 of the DLI allocation, with \$6,250 released for each additional 1%, up to a maximum of 46%)	68% (at least 58% receives \$62,500 of the DLI allocation, with \$6,250 released for each additional 1%, up to a maximum of 68%)	94% (at least 84% receives 62,5000 of the DLI allocation, with \$6,250 released for each additional 1%, up to a maximum of 94%)
<i>DLI 1a Amount</i>		<i>US\$0.125M</i>	<i>US\$0.125M</i>	<i>US\$0.125M</i>	<i>US\$0.125M</i>
DLI1b: Increase the percentage of County Health Team's level submission of financial reports to MoH within ten (10) working days of the end of each quarter	10% (to be reset to 0 each consecutive year)	32% (at least 22% receives \$62,500 of the DLI allocation, with \$6,250 released for each additional 1%, up to a maximum of 32%)	68% (at least 58% receives \$62,500 of the DLI allocation, with \$6,250 released for each additional 1%, up to a maximum of 68%)	80% (at least 70% receives \$62,500 of the DLI allocation, with \$6,250 released for each additional 1%, up to a maximum of 80%)	90% (at least 80% receives \$62,500 of the DLI allocation, with \$6,250 released for each additional 1%, up to a maximum of 90%)
<i>DLI 1b Amount</i>		<i>US\$0.125M</i>	<i>US\$0.125M</i>	<i>US\$0.125M</i>	<i>US\$0.125M</i>
<i>DLI1 Subtotal</i>		<i>US\$0.25M</i>	<i>US\$0.25M</i>	<i>US\$0.25M</i>	<i>US\$0.25M</i>
DLI2: Increase in percentage of MoH units that are Participating in Planning and Budgeting Processes	9% (to be reset to 0 each consecutive year)	20% (at least 10% receives \$125,000 of the DLI allocation, with \$ 12,500 released for each additional 1%, up to a maximum of 20%)	40% (at least 30% receives \$125,000 of the DLI allocation, with \$ 12,500 released for each additional 1%, up to a maximum of 40%)	65% (at least 55% receives \$125,000 of the DLI allocation, with \$ 12,500 released for each additional 1%, up to a maximum of 65%)	75% (at least 65% receives \$125,000 of the DLI allocation, with \$ 12,500 released for each additional 1%, up to a maximum of 75%)
<i>DLI2 Subtotal</i>		<i>US\$0.25M</i>	<i>US\$0.25M</i>	<i>US\$0.25M</i>	<i>US\$0.25M</i>
DLI3: MoE HR Database checked and reconciled through verification of HR personnel	MoE HR Database has not been checked and reconciled through verification of HR personnel	MoE HR database established with twelve (12) critical fields, populated using existing data <sup>b</sup>	At least 25% of the public schools have been checked to vet data of personnel data [baseline 0%]	At least 50% (cumulative) of public schools have been checked to vet data of personnel data	At least 75% (cumulative) of the public schools have been checked to vet personnel data



DLI	Baseline	To be achieved by Year 1 (2020)	To be achieved by Year 2 (2021)	To be achieved by Year 3 (2022)	To be achieved by Year 4 (2023)
records at the public schools.	records at the public schools.				
<i>DLI3 Subtotal</i>		<i>US\$0.25M</i>	<i>US\$0.25M</i>	<i>US\$0.25M</i>	<i>US\$0.25M</i>
DLI4: Improved personnel management of the education sector to improve teachers' monitoring (text)	No automated reconciliation process between HR databases for; CSA and the respective public schools	(a) Inter-Ministerial Coordination Committee (IMCC) approved by the Recipient's Cabinet;  (b) Monthly meetings of IMCC (MoE, CSA, MFDP) held nine (9) months from the Effectiveness Date and Minutes including Decisions to be taken recorded; and  (c) Verification of actions on Decisions taken satisfactory to the Association	Conduct an analysis of at least 50 percent of teachers' payroll data in public schools and publish the consolidated results of the analysis on an annual basis	Conduct an analysis of at least 75 percent of teachers' payroll data in public schools and publish the consolidated results of the analysis on an annual basis	Conduct analysis of at least 100 percent of teachers' payroll data in public schools and publish the consolidated results of the analysis on an annual basis
<i>DLI4 Subtotal</i>		<i>US\$0.25M</i>	<i>US\$0.25M</i>	<i>US\$0.25M</i>	<i>US\$0.25M</i>
<b>TOTAL</b>		<b>US\$1.0M</b>	<b>US\$1.0M</b>	<b>US\$1.0M</b>	<b>US\$1.0M</b>

Note: <sup>a</sup> DLI1 is scalable: the client will receive 50 percent of the overall DLI if DLI1a is met and 50 percent of the overall DLI if DLI1b is met.

<sup>b</sup> County, district, school/office, EMIS code (for schools), employee code, name, position, level, qualification, payroll status, payroll number, and salary.

**Table 3: DLI Verification Protocol Table (to be further defined in the PIM)<sup>a</sup>**

No.	Data Source/ Agency	Verification Entity	Procedure
1	MoH financial reports, MFDP figures	IVA	IVA to spot check timeliness of submission of quarterly financial reports with MFDP figures
2	MoH registry	IVA	IVA to verify registry stating participation in planning and budgeting processes
2	MoE personnel data, data from individual schools	IVA	IVA to conduct random sampling of school data to validate MoE personnel database
4	MoE personnel database	IVA	IVA to conduct annual independent review of personnel database

<sup>a</sup> Protocol to be finalized within the Project Implementation Manual, prior to declaring project effective.



### **Component 5: Project Management (US\$1.88 million equivalent)**

94. **Objective.** This component is designed to ensure the effective, proper management, and results-driven implementation of the project, as well as to provide the just-in-time interventions that may arise.
95. **Status and issues.** To date, the performance of the MFDP in implementing development partner-funded projects has been uneven. The IPFMRP did not have a PMU that was solely responsible for the project, but rather relied upon the RCU. The RCU focused on the Government's PFM program and the PFM project. Having the RCU manage the project meant that it lost focus on the key, strategic issue of monitoring the whole-of-government program PFM status, as well as how the various donor-financed projects assist in meeting the GoL's thematic objectives as articulated in the reform strategy. Going forward, the RCU will also be responsible for developing terms of reference that will lead to a technical review of IFMIS and other IT related systems at mid- point of the project to ensure they meet the key strategic objectives of government.
96. **Expected outcomes.** The component's interventions will ensure proper day-to-day project management, allowing for achievement of the PFMRI's Project Development Objective, namely, to improve DRM systems and strengthen financial control and accountability in public finances. Unallocated funds will be set aside to allow for flexibility in financing much needed activities in the area of PFM as they arise (see para 99).

#### ***Subcomponent 5.1: Project Management and Establishment of the PMU (US\$1.63 million equivalent)***

97. The **objective** of this subcomponent is to provide strong institutional and functional capacity to coordinate project implementation that is sustainable and cost effective.
98. The **proposed interventions** will include: (a) establishing a PMU staffed mainly by civil servants who will be paid by the GoL (with external consultant specialists, as needed); (b) ensuring proper coordination, management, and project implementation (including procurement and FM); and (c) undertaking M&E and change management. Annex 1 details the PMU arrangements. Overall responsibility for change management design and implementation arising from PFM reforms lie with the RCU.
99. **Unallocated funds totaling US\$250,000 will be set aside to provide for fungible resources for use in new PFM reform activities as they arise, particularly in the areas of monetary management and SOE reform.**
100. The **potential interventions** will include: a) procurement of consultancy services for implementation of emerging recommendations in the PFM space in the project components and associated sectors such as MOE and MOH; (b) stakeholders workshops for better dissemination of PFM reform actions across all frontiers supported under the project; (c) ad hoc implementation needs, necessitated by changes in Government policy, across each of the first four components; (d) support to Government to implement policy reform changes introduced under Development Policy Financing operations of partners as well as those introduced under the soon to be engaged IMF program<sup>21</sup>; and (e) Support to State Owned Enterprises reform.

#### *Project Cost and Financing*

101. **The proposed operation is designed as an Investment Project Financing (IPF) with DLIs, in the amount of US\$19 million equivalent from an IDA grant to the Republic of Liberia.** Component 4 of the project has four DLIs that establish a performance-based framework to measure progress in service delivery reform implementation and results. This would be done through addressing impediments to service delivery. The DLIs

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<sup>21</sup> The date of this Program has yet to be defined.



take into account the practical considerations of measuring, monitoring, and verifying progress, particularly addressing specific bottlenecks to achieving overall development results within the two sectors. Such a results-based approach will help focus the project on results because it links disbursements to the attainment of predefined targets. These targets fit into the overall objectives and indicators that the government can easily monitor, measure, and report on in a routine manner. Overall, this will improve the GoL's social contract with its citizens and increase the level of trust in service provision systems.

102. **After considering other financing modalities, an IPF combined with DLIs was determined to be the most appropriate and realistic instrument to addressing the Government's needs through advisory support and TA.** The use of IPF with DLIs will allow the Bank to exercise greater influence over the quality and timeliness of the results, in an environment that faces challenges in terms of implementation capacity. Furthermore, the DLI allocation represents only 22 percent of the overall project financing and that mechanism will be used to adopt a results-focused approach in the health and education sectors which, if all input based, may not translate into meaningful outcomes with regards to improved institutional efficiency and accountability, which this project strives to achieve.
103. **A project preparation advance of US\$3.86 million was committed to finance consultants, goods, and other inputs required to prepare for implementation activities.** These include IFMIS support and maintenance services, a business process reengineering study of the ITAS, and support to Open Government Partnership-related activities, to name a few. These activities support project preparation, including the establishment of baselines and the completion of necessary assessments. A total of US\$3.1M (80.0 percent) had been disbursed as of April 11, 2019, the latest information available.
104. **A Multi donor Trust Fund (MDTF) with possible financing from the Embassy of Sweden and European Union will be set up shortly after project effectiveness to cover remaining areas of the six thematic areas of the Public Financial Management Reform Strategy (2017-2020) currently not covered within the PAD, as well as existing interventions in need of future additional funding.** This MDTF will be designed after further consultations with the GoL and other stakeholders to determine areas of greater priority to be financed in sequence. This funding can be used to scale up subcomponents as needed. For example, for a fully functioning e-Procurement system to be launched throughout Government, the project would have to make available at least US\$8.0 million; likewise, additional support to LRA would be needed to ensure equipping of a training center and support for reconciliation processes, to identify stocks and flows of tax arrears. It is hoped that this additional financing will be made available within the first year of the project, subject to internal World Bank approvals, to prevent disruption to achievement of project outcomes going forward. To ensure there is no ambiguity regarding the objectives of the MDTF, the same will be in line with the overall PDO so as not to dilute its strategic focus. To fit such activities into the project, the results framework and theory of change will be modified, and the PDO and intermediate indicators added or modified (as needed). The benefit of such flexibility within the project means that the World Bank and its partners can react quickly to the emerging needs of the Government within the ambit of core PFM.

**Table 4: Breakdown of Project Costs (US\$m)**

Project Components	Project Cost	IDA
<b>Component 1: Enhancing DRM Sources and Systems</b>	<b>7.0</b>	<b>7.0</b>
1.1: Improve Tax Policy	0.8	0.8
1.2: Capacity Development and Strengthening the Technical Basis of Administration	6.2	6.2
<b>Component 2: Stabilizing and Strengthening Performance of Financial Controls and Systems</b>	<b>3.2</b>	<b>3.2</b>
2.1: Improvement and Rollout Support	2.1	2.1
2.2: Enhancing the Budget Framework	0.5	0.5
2.3: Preparing for modernization of Procurement Systems in the Public Sector	0.3	0.3
2.4: Open Data	0.3	0.3
<b>Component 3: Improving Public-Sector Capacity for Enhanced Oversight and Accountability</b>	<b>2.62</b>	<b>2.62</b>
3.1: Improving Parliamentary, Internal, and External Oversight Effectiveness	1.42	1.42
3.2: Institutional Capacity Building	1.2	1.2
<b>Component 4: Improving Upstream and Downstream PFM Systems in Selected Sectors</b>	<b>4.3</b>	<b>4.3</b>
4.1 Strengthening Foundations for Improved PFM Systems in the Health and Education Sectors	0.3	0.3
4.2: Improving PFM Systems in the Health and Education Sectors	4.0	4.0
<b>Component 5: Project Management</b>	<b>1.88</b>	<b>1.88</b>
5.1: Project Management and Establishment of the PMU	1.63	1.63
<i>Unallocated (Just-in-time Resources)</i>	<i>0.25</i>	<i>0.25</i>
<b>Total Financing Required</b>	<b>19.0</b>	<b>19.0</b>

105. **The basis of disbursements to Component 4 activities will be DLIs implemented by the Ministries of Health and Education.** The aim of the indicators is to provide a set of metrics for benchmarking tangible improvement in service delivery in these two sectors that result from a reduction of PFM bottlenecks as a key enabler of service delivery. The indicators will seek to enhance active monitoring of the extent to which PFM-anchored bottlenecks are addressed through PFM reform by policy makers and citizens. The proposed indicators focus on measures that capture the outcome of increased resource flows arising from the removal of PFM bottlenecks to frontline service providers. These providers are entrusted with the core tasks of ensuring that schools and clinics are receiving proper support. The indicators convey the efficacy of the entire health and education systems and indirectly measure the incentives and constraints that influence performance as it is linked to PFM.



106. **The amount of the DLIs should be sufficient to make a difference in terms of providing the incentive to engage in the activities necessary to achieve the desired results.** The upfront cost to achieve the set annual targets by targeted Ministries is marginal, compared to the DLI financing. DLIs will reimburse the compensation of employees. As targets are achieved, the World Bank will disburse funds to the GoL against the Eligible Expenditure Program (EEP) budget lines listed in Table 1. Rollovers of the DLIs in the project are limited to one year. The two budget lines have been identified by the project to supplement the GoL budget on the basis that they are currently not adequate to deliver the package of primary services under their ambit. In the MoE, the human resources unit has a list of 1,527 teachers that qualify for retirement. If the average salaries of these are taken at US\$2,000 per year, this would amount to over US\$3,000,000 per year spent on teachers who should not be in the classroom, and who are not showing up to teach regularly. Supplementing the budget lines will enable the MoE to pay these almost retired teachers off and ensure a cleaner payroll. The MoH budget lines have been selected because the sector has inadequate staff to deliver the services.

107. Table 1, in Annex 2, details the project’s EEP.<sup>22</sup> Table 5 details aggregate budget allocation in the health and education sectors for the current fiscal year, as well as the following two (the only years for which such data is available).

**Table 5: Budget Allocation Sector Summary by Economic Classification and Sector (US\$m)**

	FY2018-2019 budget	FY2019-2020 projection	FY2020-2021 projection
<b>Health Sector</b>			
Total	81.7	75.2	71.6
Compensation of Employees	51.7	51.7	51.7
Total DLI Allocation		2.0	2.0
Total DLI Amount as a Percentage of Overall EEP for Health Sector		3.87%	3.87%
<b>Education Sector</b>			
Total	85.3	77.6	76.0
Compensation of Employees	51.5	51.5	51.5
Total DLI Allocation		2.0	2.0
Total DLI Amount as a Percentage of Overall EEP for Education Sector		3.88%	3.88%

Source: MTEF

### C. Project Beneficiaries

108. **The beneficiaries of the project include several different institutions within the GoL.** These include the MFDP, the LRA, the PAC, the PPCC, the GAC, the IAA), the University of Liberia, and the MoE and MoH. The LICPA, which is not a part of the GoL, will also be a beneficiary. The ultimate beneficiaries will be the citizens of Liberia, who will benefit from the improved economic benefits of the resulting efficiency gains of the GoL’s domestic revenue mobilization, financial controls, financial accountability, and improved decentralized service delivery.

<sup>22</sup> Given that the project’s EEP is similar to what is encompassed in two other World Bank projects—P162089, Getting to Best in Education (2018-2022) and P164932, Improving Results in Secondary education (2020-2023)—going towards the same sector and using teacher’s salaries as eligible expenditures over the life of these three operations, the three World Bank task teams will coordinate to ensure jointly that each compare the budget line expenditures around teacher salaries to the expected expenditures under the two budget codes affected over the same period of expenditures. This exercise will be conducted annually through review of audit reports (project and government) and IVA reports.



109. **The project will also support gender mainstreaming in accordance with a Revised Guidance Note for the Gender Tag (September 2018) by the World Bank and the United Nations Security Council Resolution 1325 (2000) on ensuring increased representation of women at all decision-making levels in post-conflict societies;<sup>23</sup> and the Liberia’s CPF Pillar one (Strengthening institutions and creating enabling environment for inclusive and sustainable growth).** The gender aspects are also captured in Liberia’s 2018 SCD that notes that a larger gender gap exists in adult literacy and access to education are a concern for the country. The ratio of female to male literacy rates is just 33 percent and hence the inclusion of a gender objective in the CPF which is in line with the country’s PAPD. This will be done through: (a) the implementation of a gender gap analysis; (b) enhanced support for analysis and implementation of gender inclusion in national and sectoral budgeting processes; (c) ensuring greater female attainment of MBAs; (d) promoting female participation in activities advocating greater citizen involvement in the annual budget process; and (e) continued monitoring of project performance for progress toward gender gaps to be identified following project effectiveness and monitored in the Implementation Status and Results Reports (ISRs) and at completion. The project has been tagged and will be assessed to rate the project’s performance during implementation, specifically, in terms of closing the targeted gender gaps against selected indicators around the subject. This is in line with the 2009 Liberia National Gender Policy, which recommends gender mainstreaming and budgeting as a development approach.
110. **In parallel, a separate, recipient-executed trust fund (executed by a national-level civil society organization-TF-2019-0049599), with a focus on the most vulnerable populations (particularly women outside of Monrovia), is currently being designed to build civil society capacity to engage in external accountability.** This capacity building will focus on PFM training (the budget cycle, understanding audit reports, etc.), thereby building demand for government data and information. It will also support professional media training and help to ensure the increased participation of women in such activities.

#### D. Results Chain

111. **Liberia faces a problem of experiencing growth without development.** Owing to the nature of the developmental challenges faced, this project’s design assumes that a sustained combination of interlinked solutions arising from the detailed interventions outlined within the PAD are critical to providing a long-lasting solution to current developmental challenges. Component 1 of the design addresses the aspect of very low fiscal space. Components 2 and 3 cover key fundamentals to establish fiscal sustainability through expenditure control whilst Component 4 deals with critical PFM bottlenecks that negatively impact service delivery. The nature of this challenge is such that the country faces a very low tax revenue base. Its revenue-to-GDP ratio is below the Sub Saharan Africa average. Regular and timely payment of public-sector salaries has lately become an issue which, if left unchecked, will negatively impact the state building trajectory Liberia has been pursuing over the last decade. It has become necessary to better understand the current structure of the revenue base and support options for expansion in the near future to help tame the worsening human capital indicators through the provision of public goods in the education and health sectors. This project provides a platform for creating a meaningful, larger fiscal space for the Government that will help broaden the revenue base through existing revenue systems, strengthening the ability of PFM systems to provide relevant information on status of expenditures, establish reasonable expenditure controls, and provide requisite oversight on overall government finances. The strengthened systems will enable the GoL to generate timely and reliable information on the existing fiscal space with which to generate projects for enhanced human

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<sup>23</sup> Data about the economic situation of women in Liberia is limited, as the latest Gender Needs Assessment was conducted in 2007 (“*Liberia: Toward Women’s Economic Empowerment: A Gender Needs Assessment*”). Women do play critical economic roles in key sectors of the Liberian economy; however, these must be expanded and enhanced to better allow for women’s full economic empowerment.





capital development and improved service delivery; obtain timely fiscal and financial position of government; have a basic understanding of the overall debt position of the government; and maintain awareness of key fiscal risks. The Government will need to have effective systems in place to track and broaden its revenue position and expenditure during the fiscal year to ensure they are broadly on target for whatever deficit they have planned. For these to happen, requisite capacity development needs to be undertaken to support the systems.

112. **With anticipated improvements in the areas annotated through support to capacity building, the project will also leverage information technology to build a modernized state bureaucracy.** By so doing, the project will also enable government decision makers to better manage the prevalent economic and financial risks. Strengthened systems will also help with better managing risk to debt and deficits. For efficient allocation of resources, strengthened systems will also enhance PFM systems that focus on providing relevant information on available resources and ensuring a timely budget preparation process that involves all stakeholders to better contribute to the right allocation.
113. **However, ‘efficient’ allocation can only be done in light of a pre-existing, politically determined expenditure strategy that chooses between various public spending priorities.** While PFM functions can support decision-makers with the correct financial information and efficient process management systems, they cannot ensure that appropriate decisions are made outside of the political and governance framework. It will therefore be vital to ensure that there is a matching of objectives between political goals and technical solutions.
114. **The design of the project makes explicit the team’s underlying assumptions and what it anticipates attaining using core factors it is aware of in Liberia that may affect the achievement of the projects planned outcomes.** The results chain, below, visualizes how the World Bank sees the targeted interventions leading to the intended results: improved PFM performance to allow for greater human capital outcomes.



PFMRIS Results Chain



E. Rationale for World Bank Involvement and Role of Partners

115. This project was designed in close collaboration with several development partners and the Embassy of Sweden and EU have both expressed interest in the possibility of contributing to the project through an MDTF. The original project (P127319) was a joint collaboration between the World Bank, the AfDB, the European Commission (EC), USAID, and the Embassy of Sweden. For the follow-on project, the AfDB opted to undertake a separate, parallel operation using parallel funding, as AfDB resources became available as the



World Bank was still designing this project. Project implementation support missions will be coordinated and conducted with the AfDB and all other development partners that may contribute to the project at a later stage. These missions will be prefaced by a planning session with the partners to identify core issues to be reviewed and assessed. The goal will be to determine progress of key project activities and the level of impact.

116. **This project was informed by knowledge built from the former project (P127319) and designed to deepen related reforms.** A key rationale for World Bank involvement in PFM reforms in Liberia is to leverage these lessons learned (detailed in the next section), as well as relationships built, and, through the PFMIRIS, strengthen PFM performance through continued engagement and the deepening of critical PFM reforms.

#### F. Lessons Learned and Reflected in the Project Design

117. **This follow-on project learns from the findings and lessons of the original project's Implementation Completion and Results Report (ICR).** In particular, the report flagged the difficulties of implementing complex projects in low-capacity environments; the pitfalls to using composite indicators such as the PEFA scores; the need to consistently prioritize M&E (which should inform periodic reports to management); the need to avoid designing less complex projects, the importance of emphasizing change management and user support for information and communication technologies investments; and the need to limit project management expenditures so as to ensure that such expenses do not crowd out core investment project expenditures.
118. **Other lessons discerned from 'PFM reforms in post-conflict countries' have also been applied.** The key is to have shared analysis and coordination among development partners active in the sector. Other lessons applied are linked to budget reforms. In this context, reforms of budget laws and related systems tend to happen over a longer period, rather than early in the reform process. Therefore, elements of the previous project (such as support for IFMIS and the CSM) have been taken on board to ensure they provide the strong foundations for a sustainable PFM system. As budget execution reforms were less successful in the previous reforms, as reiterated by the lessons in the analysis, the current design has included support to these reforms to ensure the PFM reform foundations are solid for the future. The project is also going to support budget module activation within the IFMIS to provide such foundations. Also, one of the major lessons from the analysis notes that there may be no direct relationship between strengthening core, upstream PFM institutions and achieving service delivery. Thus, the design of the current project will draw on this dichotomy by taking it forward in the next project through addressing downstream PFM bottlenecks in sectors that will allow for improved systems that can improve service delivery.
119. **This project learned from the implementation challenges of the IPFRMP (P127319).** Key challenges during implementation of the IPFRMP centered around four issues: (a) leadership changes within the PFM RCU, and the fact that the RCU was unable to perform its core duties (coordinating PFM reforms and the multiple donor-funded PFM projects) as it became saddled with project implementation issues for the IPFRMP; (b) a disconnect between activities undertaken and tangible results; (c) above-average operational costs (in comparison to similar projects in similar environments); and (d) combining overall coordination of PFM reforms across the Government and implementing the project proved costly, and at times, problematic. The MFDP's RCU suffered a setback in early 2017 with the removal of the coordinator and deputy coordinator, partially hindering implementation of IPFRMP activities. Furthermore, the project's implementing units raised issues related to institutional coordination, communication, and M&E. These issues are being addressed in this project by strengthening project management arrangements and ensuring a greater focus on change management and M&E. To ensure adaptability in the face of unforeseen challenges, the task team will include



flexibility in terms of project design to allow for real-time changes based on changing needs and development challenges.

120. **The project also incorporates lessons learned from similar projects elsewhere in the world.** First, successful reformers include and entail greater continuity of systems and institutions, as can be seen from the extreme challenges faced in Kosovo and Afghanistan, which experienced complete overhauls of existing systems. Second, significant progress can be made even in low capacity environments with the support of strong leadership. Capacity building can and has been made using local, government institutions, as has been the case in Mozambique, in which the World Bank has addressed PFM bottlenecks in the health and education sectors (P124615) by using and strengthening government systems to improve the transparency and efficiency of expenditures in the storage, distribution, and availability of medicines and the transparency and accountability of the management of complete primary schools through a results based financing modality. Third, the need for restoring basic fiscal control through cash-based expenditure management is indeed possible. Fourth, political commitment is key to enabling the proper functioning of oversight institutions. The sustainability of PFM reforms is normally challenged by heavy reliance on externally financed consultants who are very well paid compared to national implementers-leading to demotivation of the locals. The combination of international consultants and salary incentives for staff working in key areas therefore needs to be carefully calibrated depending on context and ensuring clear definition of what the international experts will deliver over time. Further, civil service remains affected by high turnover levels and a limited number of skilled people and hence the need for those within the PMU to have deputies. To address the frequency of change overs arising from usage of foreign consultants and lack of indigenous capacity, the capacity building aspect of the project would be institutionalized within the university so that the outputs from the University of Liberia can promptly fill any existing gaps as they arise. The fifth lesson taken on board is that PFM reforms tend to target central agencies and functions, whilst efforts to target improvements throughout the expenditure chain within sectors and across government need to be carefully thought through. Within the project design, a platform for engaging lower levels of government is being established in a measured way through support to key service delivery units at lower levels of government. Finally, as it is often the weakest element of PFM performance, parliamentary scrutiny must not be overlooked.

### III. IMPLEMENTATION ARRANGEMENTS

#### A. Institutional and Implementation Arrangements

121. **The project will be implemented over a period of five years.** Implementation arrangements build on the institutional and implementation arrangements used for the IPFMRP. However, there are some key changes to reflect lessons learned, in particular, the development of a PMU.<sup>24</sup> Annex 1 provides more in-depth details on project implementation arrangements and related organogram.

122. **The MFDP will be the overall implementing and coordinating agency for the proposed project.** Within the Ministry, it is anticipated that a small project team will be constituted under the Deputy Minister for Fiscal Affairs' administration, delegated by the Minister of Finance and Development Planning. This team, mostly comprised of civil servants and paid by the GoL, is already being constituted and will be in place shortly after Board approval. A few consultants will be hired to supplement the Government in areas where it has not yet built adequate capacity.

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<sup>24</sup> For more information on implementation arrangements, as well as the rationale for the development of a PMU, please see Annex 1.



123. **It is also expected that long-term advisors will be placed in the RCU to help build its capacity to manage the key thematic areas identified within the PFM Reform Strategy, engender change management, and ensure that IT changes and reforms are appropriately sequenced and managed.** The RCU will also be staffed by M&E experts who will ensure that they build the government's capacity to monitor PFM reforms across government and report on their status every quarter to the Minister. The World Bank is confident that the MFDP has the adequate staffing and financial resources — as well as the necessary FM, procurement, and fiduciary skillset — to supplement staffing requirements to implement the project. The exception is in the core areas of IT, M&E, and procurement. The Bank foresees several project management issues that arose in the original project being addressed by the establishment of a focused PMU whose major function will be to support component lead persons in coordinating and explaining the essence of the planned and agreed activities.
124. **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 and financial accounting manual will also be prepared and adopted after project effectiveness.

## B. Results Monitoring and Evaluation Arrangements

125. **M&E will be a central part of the proposed project's management to ensure accountability in the use of funds, assess progress toward key reform objectives and achievement of results, and initiate real-time course correction as needed.** The GoL, through the PMU, will be responsible for gathering accurate and timely data periodically to measure progress toward the achievement of the PDO and intermediate indicators, as outlined in the Results Framework. Indicators have been selected to reflect the full scope of the project and to ensure accurate measurement of the PDO and intermediate outcomes.
126. **The PMU, in coordination with the RCU, and the World Bank will carry out periodic results monitoring.** The World Bank will initiate periodic implementation support missions and undertake the mandatory Mid-Term Review. Project performance will be reflected in the ISRs. A final ICR will also be prepared. Responsibility for tracking, collating, and reporting on results at the PDO and intermediate levels related to each of the four main components will be a shared responsibility between the PMU and the participating implementing agencies. Each implementing agency will select a focal person/Component Lead who will be responsible for preparing quarterly and annual performance reports on key interventions and performance indicators. They will also submit data to the M&E officer of the PMU who will then consolidate and finalize the reports for dissemination and learning. The PMU will serve as a clearing house for data and information validation related to project implementation and results. This data will also be shared with the RCU so that it can use such data for monitoring and guiding purposes when a course correction is required.
127. **At project effectiveness, the PMU will prepare a detailed M&E Plan, which should contain templates for the Indicator Reference Sheet, Data Management and Storage.** The Indicator Reference Sheet should contain the following descriptors: name of either the PDO-level results indicators or the intermediate-level results indicators, unit of measure, responsibility for data collection, data sources, frequency and timing, data collection method, budget, data analysis, and data use. The PMU will develop a strategy to facilitate the utilization of monitoring information to improve project implementation, performance, and timing. To strengthen the monitoring data, the PMU will conduct an in-depth beneficiary assessment after the Mid-Term Review and before the completion of the project to ascertain its efficacy, effectiveness, and, above all, the



attainment of the overall objective and impact. This process will also take into account the gender perspective and assess how the project is addressing such considerations. A common platform for data storage and information sharing among all implementing units will be established to facilitate utilization of monitoring data/information and to improve implementation and achievement of results.

128. **The PMU will develop a capacity-building plan for the focal persons to equip them with the ability to track and report on project implementation and performance.** A budget will be set aside to organize a three to four-day M&E workshop for the focal persons to equip them with the skills to effectively collect, analyze, and transmit data to the PMU.
129. **The inclusion of DLIs will target core PFM bottlenecks that impede quick service delivery in the health and education sectors to key users and beneficiaries.** The choice of DLIs and their pre-agreed results aims to achieve impact in the form of observable improvements in people's lives in the chosen sectors in the medium term. This is achieved through the tracking of expenditures and lessening of other bottlenecks that may impede service delivery. Indicators were carefully selected to maximize results, considering the empirical evidence in some IDA-financed projects that financial incentives can be extremely powerful. The indicators encompass direct and indirect quantitative and qualitative aspects. Principally, they straddle input indicators covering financial, human, and material resources used within the operation. They also entail and cover activity indicators that measure the actions taken, or reform activities financed as part of project interventions. The World Bank and the Government agreed that those responsible for the results have plausible control over achieving the intended results. Indicators were jointly developed with the concerned ministries in such a way as to simplify the measurement of inputs, activities, and outputs. Such information would be collected and drawn from financial accounts, program records, and/or administrative data systems from sector ministries.
130. **An independent verification agent (IVA) will be recruited to verify the achievement of the DLI targets annually.** Recruitment of an IVA will be a condition of disbursement for DLIs. The Task Team has outlined the definition of a DLI Verification Protocol that meaningfully substantiates the achievement of the selected DLIs. Specifically, the Verification Protocol, which will be further defined in the PIM, will include the following: (a) a clear definition of the DLI and how it will be measured; (b) an objective and detailed definition of what is required to consider the DLI as achieved; (c) an indication of whether disbursement associated with the DLI will be scalable; (d) a definition of data sources that will measure the DLIs achievement, including frequency; (e) baseline data and expected timing of DLI achievement; and (f) the name of government agency or third party entity that will be responsible for providing the relevant data for verifying achieving of the DLI. The DLI Verification Protocol will be an integral part of the monitoring and reporting arrangements of the PFMRIS and its respective ministry planning directorates. The monitoring and evaluation systems of each of the two ministries will be assessed to determine their experience and capacity to ensure credible verification. The IVA's role will entail verifying that due diligence has been carried out in achieving all targets. Annex 2 provides more information on DLIs.

### C. Sustainability

131. **The Government and the IDA team will ensure that appropriate measures are established to support project activities and its impacts, thereby enabling them to continue the project after the intervention or support has ended.** This will be achieved by helping the GoL consider factors that may impinge on sustainability, such as economic, social, cultural, and financial commitments as well as local ownership of the reforms. Key aspects for further consideration will be potential visible risks and the ability of the GoL to sufficiently adapt to external changes and shocks. The design also considers the major challenge of sustaining



PFM reforms through heavy reliance on externally-funded support, which may at times combine policy conditions and extensive use of international consultants who may not have an adequate understanding of the local context. The reform may also be affected by salary and allowance incentives for staff working in key areas above their normal civil service job description.

132. Sustainability of the project's interventions will be crucial to ensuring project impact. To this end, the proposed project devotes significant resources to institutionalizing professional training and capacity building within the GoL's institutions through the activities around Component 3 and 4. Furthermore, the project will ensure sustainability by encouraging the mainstreaming of reforms, interventions, units, and staff.

#### IV. PROJECT APPRAISAL SUMMARY

##### A. Technical, Economic and Financial Analysis

###### Technical Analysis

133. The overall scope of the project responds to key challenges identified in the GoL's strategy documents, including the PAPD, as well as the PFM Reform Strategy and Action Plan (2017–2020). The policy areas selected reflect extensive coordination between the World Bank and development partners. The project was designed to complement the AfDB's parallel, follow-on IPFMRP-II, which was approved on January 30, 2018.
134. In addition to the analytical work and assessments undertaken through the project preparation advance, this follow-on project was designed based on the lessons learned from the original project (the IPFMRP), the IMF's 2016 TADAT, the 2016 PEFA report, and other analytical work. Lessons learned include the need to establish a PMU within the Government/MFDP, given the difficulties with implementation and communication within the original project under the existing RCU. This is important because the RCU also oversees all other PFM reforms across the Government and is not sufficiently equipped to implement projects concurrently. The project will also ensure support to address weaknesses uncovered in the first project, such as the poor implementation rate of the IAA's recommendations in the MFDP and throughout the Government. Another key lesson is the importance of investing in interventions aimed at long-term capacity building that are institutionalized, such as enhanced support for graduate-level public procurement and FM degrees to make them sustainable and relevant to the country's needs. Additionally, the follow-on project will focus on ensuring the adoption and/or compliance of challenging reforms within the original project that deliver impact. This will help to ensure that core foundations to build on are in place. This involves ensuring that some core aspects are undertaken before project effectiveness, such as the activation of the IFMIS Budget Module.

###### Economic and Financial Analysis

135. **The deepening and sustaining of PFM reforms is expected to result in numerous expected benefits.** Cost savings and increased revenues should result from eventual e-Procurement activities. Economic growth and poverty reduction are expected with the increased efficiency, transparency, and accountability of the GoL's fiscal and budget management. Furthermore, better service delivery should result from fiscal decentralization and support to sectoral PFM institutions and processes. The benefits of the project are expected to outweigh the costs. This will be consolidated using total investment costs, total operating costs, projected benefits, financial sustainability, financial return on national capital, and costs and benefits discounted with a real social discount rate.
136. **The project benefits expected to arise from the improvement to DRM systems—i.e., the generation of enhanced levels of domestic resources—will help the GoL curtail the country's deficits.** The activities to be



supported through the reform of tax policy and administration will include: (a) solidifying the establishment of the taxation system through tax collection and minimization of economic distortions and a reduction in inequality; (b) strengthening the operational capacity of the tax administration in terms of both administrative and policy aspects; and (c) fostering and engendering social acceptance and legitimacy of the tax system, while at the same time improving public accountability in working with civil society.

137. **Core economic and other benefits that will arise from IFMIS implementation are numerous.** They include the following: (a) full expenditure control at the commitment level; (b) deterring poor financial management control, which has previously led to GoL overspending; (c) taming the problem of unrealistic budgets in terms of revenues and expenditures; (d) helping focus the GoL on outputs rather than inputs; (e) helping to deter the growing number of government expenditure pending bills; (f) ensuring that GoL spending is aligned with its priorities; and (g) establishing a system of transparency through clear, auditable systems that would lead to flexible reporting and analysis for decision making at the strategic level. The benefits arising from such interventions cannot be quantified at this stage because of data problems. Hence, they are more descriptive and qualitative.

138. **IFMIS implementation will enable the modernization of the overall PFM system over time.** It will also help to address core factors that arise from human processing errors that have previously been a key driver of rent seeking. The software will help support and simplify highly complex government PFM processes, which are required in a low capacity country like Liberia. The software configuration will be upgraded over time. This can reduce the project costs for business process analysis and re-engineering by half. The FreeBalance software currently used by the GoL will support rapid localization and translation so that the costs of adapting the terminology or translating the software can be reduced by up to 90 percent from the industry average. The system currently in use, as installed in some large ministries, will require less than four ministry technical staff to support, even for distributed systems. This will reduce internal personnel costs for support by up to 90 percent of the industry average. The cost savings for infrastructure will be as high as one-third of the industry average since the system does not require reliable telecommunications to operate in distributed environments (a computer network in which computers may be far apart, generally having a radius of more than one kilometer.)

**Table 6: Projected Cost-Benefit Analysis of Completing IFMIS Implementation (in US\$)**

Description of cost element	Projected cost	Projected benefit beyond life of project
Improving fiscal transparency	Difficult to quantify	Difficult to quantify
Efficiencies and outcomes	Difficult to quantify	Difficult to quantify
IFMIS Product Acquisition Costs <ul style="list-style-type: none"> <li>• Internal personnel costs and consulting fees for needs analysis</li> <li>• Development and maintenance of a request for proposal</li> <li>• Computing hardware</li> <li>• Networking and required bandwidth for the computing infrastructure to support the IFMIS</li> <li>• Disaster recovery sites, testing center</li> <li>• Provisioning of reliable power and long-term telecommunications contracts</li> </ul>	1,214,000	1,638,900





<ul style="list-style-type: none"> <li>• Middleware software including databases, operating systems and systems management tools necessary to support the IFMIS</li> <li>• The IFMIS software license costs</li> </ul>		
<b>Software Implementation Costs</b> <ul style="list-style-type: none"> <li>▪ Internal personnel costs and consultant costs to articulate the current processes, forms and report requirements</li> <li>▪ Installation, provisioning and set up of the IFMIS software and configuration of the appropriate middleware</li> <li>▪ Configuration and customization costs</li> <li>▪ Testing and quality assurance</li> <li>▪ Technical training for middleware, networks, computers and systems management</li> <li>▪ Functional training for IFMIS users</li> <li>▪ Project management including government stakeholders and senior project consultants</li> <li>▪ Acceptance testing</li> <li>▪ Additional software modules, more users or new government entities</li> </ul>	1,115,758	1,394,698
<b>On-Going Costs</b> <ul style="list-style-type: none"> <li>▪ Maintenance costs for all hardware and software purchase, which includes vendor customer support</li> <li>▪ Government personnel acting as first line support for equipment and software</li> <li>▪ Changes to configuration</li> <li>▪ Bandwidth and other telecommunications costs</li> <li>▪ Upgrade costs associated with moving to a new version of the IFMIS software</li> </ul>	1,082,700	705,755

139. **The reforms to be supported will enhance governance and improve the fundamental interest of the State and governance.** A functioning PFM system will make actors more accountable to the Parliament, the GAC, and the public. Through the reform activities, the cost of the established PFM structures will encourage the separation of powers by seeking to build institutions that are based on separation of power, as well as a division of labor equipped with control mechanisms to render fiscal discipline. The expected benefits will be long term in nature. PFM reforms will help improve transparency by generating information through networking sources of information and making information more accessible. Indeed, this is a core prerequisite for improved governance reforms within the PFM arena. Further, the benefits of decentralization will far outweigh the cost of the investments.

140. **PFM processes will improve the effectiveness and efficiency of government actions** and will assist with increasing the State’s legitimacy.

141. **The key benefits that will arise from implementing electronic procurement are difficult to quantify because of availability of data.** Nevertheless, they can be generically categorized as in Table 7.



Table 7: Summary of Core Benefits of e-Procurement

No.	Category Benefit	Detail
1.	<b>Transactional benefits</b>	- Automated purchase-to-pay process. - Reduction in errors. - Allows for competition.
2.	<b>Lower prices</b>	-Reduction in purchase prices through strategic sourcing. - Savings on budget management across government that would facilitate an increase in fiscal space.
3.	<b>Improved compliance</b>	- Reduction in the manipulation of prices.
4.	<b>Management information</b>	- Improved quality of management information regarding the Government’s total purchases for goods and services.
<b>Projected revenue savings as a percentage of average budget allocation in the previous two years: US\$70,000,000<sup>a</sup></b>		

Note: <sup>a</sup> The average annual budget for Liberia is US\$500 million, 40 percent of which goes to goods and services that are subject to procurement. The expected savings to arise from electronic procurement are anticipated at 35 percent, as per estimated savings from other contexts and jurisdictions.

142. **The project’s short- to medium-term benefits will far outweigh the costs of undertaking and supporting such reforms.** Through the proposed reforms, the institutions to be supported will contribute to the strategic goals of the Government by making public finances transparent, overseeing the regular payment of salaries of civil servants, and improving service delivery. Thus, improved budget management, enhanced resource allocation and accountability, and greater efficiency in service delivery will far outweigh the costs of the project. Financing such reforms as a public good would address existing market failure aspects in Liberia, which would not be conducive for the private sector to finance. Such reforms are public goods. If the Government did not finance them, individuals in Liberia would have little motivation, incentive or ability to voluntarily provide such public goods. Within the realm of public goods, the proposed project will assist in addressing the financial instability that would threaten development, exacerbate fragility and could lead to distortions in the allocation of resources and income growth of the citizens of Liberia.

143. **Without this World Bank-funded PFM reform deepening and sustaining project, many of the critical interventions would not occur or be sustained.** While the GoL and many development partners are convinced of the importance of further financial assistance and TA to ensure the sustainability of the PFM reforms taken to date, there is currently a financing and technical gap that constrains movement toward this end. Many of those benefits pertaining to enhanced efficiencies—particularly around public procurement, revenue mobilization and resource allocation and use—can be quantitatively measured once more data is available. Others, particularly around transparency and accountability, will be assessed in qualitative terms.

144. **The proposed areas of intervention were designed through active dialogue with the GoL authorities during project concept development and subsequent preparation.** Thus, the project design is a reflection of where the GoL sees the greatest value added by the World Bank and other development partners, especially given the World Bank’s global knowledge on the topics in question, as well as its success in supporting similar interventions, both in Liberia and across the region. The advantage of the World Bank compared to other development partners is its ability to contribute to all stages of the value chain, while also bringing global knowledge. Accordingly, the World Bank brings a valuable financial and technical contribution to the proposed operation. It is well placed to lead a consensus-building dialogue on public sector and PFM reforms through its convening power. Indeed, it has already prepared diagnostic reports in key areas of support. It also played a leading role in donor coordination through the IPFMRP. More importantly, the World Bank is a trusted partner of the Government on public sector and PFM reforms. Thus, the value added of the World Bank’s



engagement is found in the balanced and multidimensional sector support, which targets various aspects of public sector governance in the interests of promoting poverty reduction and increasing shared prosperity.

## B. Fiduciary

### (i) Financial Management

145. **The FM arrangements will be based on the existing arrangements under the Project Financial Management Unit (PFMU), which is implementing 90 percent of the World Bank and other donor-financed projects in Liberia.** The PFMU is comprised of 24 staff headed by the director who is a Chartered Accountant, and all PFMU staff are familiar with Bank procedures.
146. **An FM assessment of the PFMU conducted in March 2019** concluded that the control risk is assessed as 'Moderate' and the overall FM risk for the project is assessed 'High' but reduced to 'Substantial' due to the articulated risk mitigating measures. A detailed overview of the assessment findings and proposed risk mitigation measures, including among others: an IVA and external auditing by an independent qualified auditor. The new project will need to be accommodated within the existing FM system. To do this, the PFMU will need to: (a) update the current accounting manual, (b) customize the existing accounting software to include the account of the new project to generate the IFRs and financial statement, (c) recruit external auditors, and (d) recruit an IVA, to be managed by MFDP. This should be completed within six months of the project becoming effective.
147. These arrangements were deemed adequate to ensure: (a) timely reporting of project activities, (b) the safeguarding of project assets, and (c) the strengthening of internal controls despite considering them to be high with reasonable mitigation measures.
148. **A third party will be contracted to verify the EEP spending and results reports are in line with agreed financing arrangements.** Verification of EEP spending will also be included in the project's annual TOR. The IVA shall be contracted shortly after project effectiveness and will issue an opinion on the accuracy and fair view of the information provided by the MoH and the MoE regarding the EEP and DLIs. The IVA will validate DLI scores twice a year and should send a certificate directly to the World Bank. The external audit report should be submitted to the World Bank six months after the end of the financial year.

### (ii) Procurement

149. **Applicable procurement procedures.** The borrower will conduct procurement under the proposed project in accordance with: (a) the New Procurement Framework-World Bank's 'Procurement Regulations for IPF Borrowers' (Procurement in Investment Project Financing-Goods, Works, Non-Consulting and Consulting Services; dated July 2016, revised November 2017 and August 2018); (b) the World Bank's 'Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by International Bank for Reconstruction and Development (IBRD) Loans and IDA Credits and Grants', dated October 15, 2006, revised in January 2011 and as of July 1, 2016; and (c) other provisions as stipulated in the Financing Agreements.
150. **Preparation of the Project Procurement Strategy for Development (PPSD):** The Implementing Agencies (IAs) (with technical assistance from the World Bank) has prepared a PPSD, which describes how procurement activities will support project operations for the achievement of project developmental objectives and deliver value for money. The procurement strategy is linked to the project implementation strategy to ensure proper sequencing of activities. Based on the PPSD findings, the Procuring Entities (PEs) have prepared their procurement plans covering activities for the first 18 months, which has been agreed by the World Bank. The



Procurement Plans, which were confirmed during negotiations, will be disclosed on the Bank's external website following approval by the Board of the project. Procurement activities will principally be based on Open National and International bidding processes in line with Procurement Regulations. The Procurement Plans will be updated in agreement with the Bank annually or as required to reflect the project's actual implementation needs and improvements in institutional capacity. The Project will leverage the use of ICT to improve participation, delivery, monitoring and reporting while utilizing the World Bank's Systematic Tracking of Exchanges in Procurement (STEP) as a primary tool to submit, review and clear all procurement plans. The PPSD, a summary of which is described in further detail in Annex 1, is a living document that will be regularly updated during project implementation to provide necessary justifications for procurement arrangements, procurement plans, and their updates. The PEs have general experience in implementing World Bank funded projects. However, given the scope and number of procurement activities, the Project will hire a National Procurement Specialist to be part of the PMU. In addition, the MFDP, the GAC, the LRA, and the PPCC will each assign and maintain, throughout project implementation, dedicated qualified procurement personnel. Furthermore, the Project will hire an International Procurement Specialist during the first two years of project implementation; to build the capacity of the national procurement officers of all PEs through mentoring, and coaching; and assist all the PEs to move the large cost procurement items.

151. **Procurement implementation arrangements.** Procurement implementation, contract management, and the related decision-making authority under the proposed project shall be implemented by the MFDP through its PMU, the GAC, the LRA, and the PPCC. The PMU will also assume a coordination role for the implementing agencies of the project. The World Bank conducted a Procurement Capacity and Risk Assessment of the PEs, rating the procurement risk as Substantial. The assessment identified major risks that could adversely affect project implementation if not mitigated. Details of the key risks and the corresponding mitigation measures are provided in Annex 1.

## C. Safeguards

### (i) Environmental Safeguards

152. **The project has been classified as environmental Category C.** The proposed project consists of TA activities, as well as the provision and installation of IT equipment. It will not finance any civil works, nor will there will be any design or feasibility studies of future infrastructure. As such, no negative impacts on the physical environment are foreseen and no environmental safeguard policy has been triggered.
153. **Social Safeguards:** The project is not directly impacted by key issues such as involuntary resettlement and indigenous people. However, the project will allow citizens to participate in budget formulation participation (see below). This will lead to more responsive budget allocation, enhance good governance, and improve the delivery of public services. There is a vibrant civil society in Liberia which will engage with the key government officials in the budget process through formal consultative mechanisms as well as the overall socio-political environment to enhance the democratic space. There are adequate safeguard systems in place (including institutions and implementation capacities) to be able to manage social risks during the implementation of the PFM project.
154. **Citizen beneficiaries and engagement.** The project's support to building public service capacity for improved delivery of health and education services will have a positive impact on the wider population of Liberia. The project will encourage citizen engagement through the strengthening and institutionalizing of citizen participation in annual budget discussions and, to close the feedback loop, capacity building in the MDTF to respond to participants in detailing how their suggestions and proposals were or were not adopted.



Progress will be measured by an intermediate indicator, as well as through direct financial support to NSAs working on behalf of citizens to ensure that the government is held to account.

155. **Communities and individuals who believe that they are adversely affected by a World Bank- supported project may submit complaints to existing project-level GRMs or the World Bank’s Grievance Redress Service (GRS).** The GRS ensures that complaints received are promptly reviewed and project-related concerns addressed. Project-affected communities and individuals may submit their complaint to the World Bank’s Independent Inspection Panel which determines whether harm occurred, or could occur, as a result of World Bank non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank’s attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank’s corporate GRS, please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org).

**V. KEY RISKS**

156. **The overall risk rating for the operation is Substantial.** Liberia is a fragile country, whose transition from civil conflict was complicated in recent years by the twin shocks of the 2014/2015 Ebola outbreak and the global slump in commodity prices. The principal risks to achieving the PDO include political and governance risks, macroeconomic risks, institutional capacity risks, and fiduciary risks. After several improvements, the situation has deteriorated since 2017. In addition to high-profile scandals including the mismanagement and illegal issuance of cash during the mop up exercise by the Central Bank, there is lack of the rule of law. Within the public sector, rules and internal control are often ignored, resulting in excessive build-up of arrears. The little equipment and supplies in the health sector that are purchased are often not available in medical facilities. Despite a hiring freeze in the public sector, new staff, often unqualified, are contracted. At the same time, delays and non-payment of public sector salaries have recently being noted; and if left unchecked will reverse the state building efforts achieved over the last decade. The result is poor service delivery, particularly in the health and education sectors. The design also considers the major risk of developing and funding sufficient capacity within the regular civil service as major players in the new project. However, with proper mitigation, the potential benefits to be derived from the operation outweigh the risks, thereby warranting IDA assistance.

Table 8: Risks and Mitigation Measures

Risk Category	Rating	Mitigation measures
<p><b>Political and Governance</b> There is evidence of systematic evasion of the rule of law within the public sector. A key example is illustrated by the challenges faced by the public sector through results of the investigative reports by the Presidential Investigative Team and by the Kroll Associates into the mismanagement of mop up cash in the Central Bank of Liberia. The report showed a complete lack of effective internal controls and decisions by senior management and decisions which contravened the law within the Central Bank. The systematic nature of the violation of the rule of law</p>	High	<p>The security risk is being partially mitigated at the portfolio level by the World Bank and other development partners through expanded training of local police forces, which have taken over civilian protection from the UNMIL.</p> <p>In addition, the project will also avoid any politically sensitive activities. To gain political buy in, the project will support all key stakeholders currently outlined in the project PAD, including PAC in the oversight side of the accountability chain. The expected impact of the project on fiscal transparency and accountability, including social accountability through citizen engagement, should also build social demand for good governance.</p>



<p>suggested that such practices are widespread within the public sector.</p> <p>The security situation is improving, and the United Nations Security Council has wound down its UNMIL mission. However, Liberia remains a fragile country. The prolonged period of electioneering in 2017 through the temporary postponing of the second-round of presidential elections created a tense political environment. The delayed power transition created greater uncertainty regarding the future direction and ownership of reforms. The current administration does not have a clear and coherent vision for reform.</p> <p>There is increasing frustration in the general population with corruption and economic management which may generate political instability. On June 7, 2019, thousands took to the streets of Monrovia to protest what they see as the administration’s failure to tackle corruption and economic mismanagement. Rule of law also appears to have deteriorated in the last two years.</p>		
<p><b>Macroeconomic</b></p> <p>Growth has stagnated in the last two years and inflation is rising reaching 23.3% in April 2019, while the exchange rate has depreciated 35% in the year to May 2019. The fiscal position has deteriorated due to falling revenues with a primary deficit of 4.9% in 2018 while public debt is rising sharply from 27.7% of GDP in 2016 to 42.2 percent in 2018. There are very strong pressures for fiscal adjustment.</p> <p>This may distract the attention of the government from PFM reforms. Moreover, cash shortages have recently led to improper appropriation of project accounts over the past year.</p>	Substantial	<p>Macroeconomic instability may be mitigated by the Government taking appropriate fiscal measures as needed; support from the IMF has also been requested. The government has established a policy of reducing the payroll and wage bill with a proposal of cutting the wage bill of Cabinet ministers and other senior ranking officials of government within the Executive Branch by 25 percent. If the Government maintains its commitment and implements this policy, this may help mitigate the risk. Most of its capital financing will be negotiated along grant lines until a reasonable debt level is attained. A new IMF Program may assist with some specialized expenditure control benchmarks and could include undertaking a government wide audit of expenditure arrears so as to pay them off and avoid their subsequent build up.</p>
<p><b>Sector Strategies and Policies</b></p> <p>Delays to policy and institutional reforms or future changes in the PFM sector are the most significant risks. Overall, sector policies and strategies are not well articulated, sector governance remains weak, and the sector is severely resource constrained. Institutional reforms are led by the RCU and the revised PFM Act is pending enactment by the Legislature of Liberia. Delaying reforms would affect overall management of the sector.</p>	Substantial	<p>Past progress and results attained will help sustain Development Partner engagement, draw upon diverse pieces of work and analytics will help mitigate this risk. Existing sector strategies and policies may need to be prefaced by robust analytical work; at times drawn from work undertaken by other partners. The task team will continue to collaborate with operational users and recipients of project outputs to create a collective understanding of risks and their implications. The World Bank will continue to assist the Government of Liberia in establishing operational procedures and monitoring project implementation.</p> <p>The political risk is also partially mitigated by the fact that the proposed operation is based on the GoL’s PFM Reform Strategy and Action Plan (2017–2020). The Project will also finance the 2021-2024 PFM strategy.</p>
<p><b>Technical Design of the Project</b></p> <p>While the project’s technical design and implementation arrangements have been informed by earlier analytical work, the IPFMRP, and extensive consultations with the implementing agencies, this</p>	Substantial	<p>To mitigate against this risk, the project was designed in a manner that a few impactful items were focused upon. Deriving lessons from the past where the project had 30 sub components, the existing project has cut down to 11 sub components with most focusing on the major IT aspects within component two. Lessons</p>



<p>project encompasses a number of interventions cutting across various PFM dimensions and thus has a substantial technical design risk.</p>		<p>derived from “Public Financial Management Reforms in Post Conflict Countries Synthesis” Report- Number 69964 sponsored by the World Bank in 2012 were deciphered and also informed the design. Further, the MFDP will establish a project-specific PMU institutionalized within MFDP to be made up of civil servants who oversee and coordinate the implementation units covered within the project design so as to support the various GoL ministries to ensure better coordination and collaboration for delivery of impactful and sustainable results.</p> <p>An additional mitigation measure will be that the PMU coordinator will hold monthly meetings with component heads to determine the status of implementation of agreed project activities and provide solutions where bottlenecks have been identified to ensure course corrections are designed and implemented as needed to ensure smooth project implementation.</p> <p>The PFM Reform Steering Committee (PFMRSC) and the PFM Reform Technical Committee (PFMRTC), both detailed in Annex 1, will also mitigate this risk, as the former will be chaired by the Minister of Finance and comprise the heads of all of the ministries and agencies relative to project implementation.</p> <p>The RCU will be strengthened by supporting an International Procurement Policy Reform and Capacity Development Advisor, International IFMIS advisor and International Change Management Advisors, to ensure a clear focus on the broad reform agenda.</p> <p>During implementation, enhanced implementation support will be provided by the Bank team to implementing agencies to help them expedite procurement processes.</p>
<p><b>Institutional Capacity for Implementation and Sustainability</b> The GoL has a low capacity to implement projects, which can be a substantial risk for the proposed project.</p>	<p>Substantial</p>	<p>To mitigate against this risk, the task team used the lessons learned from the IPFMRP ICR to ensure that the project design for the PFMRIS would be less complex (and, relatedly, that project management costs be kept under control). To further address this risk, proper implementation arrangements and an implementation support plan (as elaborated in Annex 1) have been put in place. Taken together, they will help to facilitate clear communications and better monitoring of the implementation of the project.</p> <p>The targeted capacity-building activities supported by the project will also address this risk by improving the overall implementation capacity and sustainability in the longer term.</p> <p>The project will also support the capacity of the MFDP by financing an International Procurement specialist. This specialist will support the project for 2 years with the aim of building capacity at local level.</p>
<p><b>Fiduciary</b> Weaknesses in the GoL’s fiduciary system present opportunities for the misappropriation of funds. This includes the abuse of contracts with large fund outlays, poorly defined or implemented controls, and lapses in follow-up of internal and external audit findings to allow for a strengthened fiduciary environment. The Government has also misappropriated funds from the project account held with the Central Bank during</p>	<p>High</p>	<p>This risk will be mitigated by establishing a PMU with a professional cohort of FM and procurement specialists, with experience in implementing WB projects, who have been adequately re-trained to maximize the effectiveness they have gained as a result of working on such previous project(s). Additionally, the World Bank will provide intensive fiduciary support through staff based in Monrovia. A separate implementation support plan is currently being developed by the fiduciary team to mitigate the heightened risks. The same will be</p>



<p>the last year, which they have henceforth refunded. Further annotations to help reduce the projects enhanced fiduciary risks noted during fiduciary assessment are covered in Annex 4.</p>		<p>used to guide the team and will be updated bi-annually when new pieces of information becomes available including moving all IDA projects to a private sector commercial bank owing to weaknesses noted at the Central Bank of Liberia. This will be prefaced by a preliminary induction training of the PMU staff on how best they can detect project related red flags to be conducted by the INT prevention team. The Project Implementation Manual will have a separate chapter focusing on enhanced accountability framework for per diems and allowances, and approval responsibilities will also be developed. The GOL internal audit in respective entities will be called upon to assist with frequent review of core project activities to ensure controls are working as planned.</p> <p>To strengthen procurement, the project will also finance an International Procurement Specialist, within the PMU. This specialist will support the project for 2 years with the aim of building capacity at local level.</p> <p>A project-launch workshop will be undertaken to kick-start proper understanding of roles and responsibilities, and the workshop will be supplemented by continuous training on topical areas to help build capacity.</p> <p>An additional mitigation measure will be that the PMU coordinator will hold monthly meetings with component heads to determine the status of implementation of agreed project activities and provide solutions where bottlenecks have been identified to ensure course corrections are designed and implemented as needed to ensure smooth project implementation.</p> <p>The PFM Reform Steering Committee (PFMRSC) and the PFM Reform Technical Committee (PFMRTC), both detailed in Annex 1, will also mitigate this risk, as the former will be chaired by the Minister of Finance and comprise the heads of all of the ministries and agencies relative to project implementation.</p> <p>During implementation, enhanced implementation support will be provided by the Bank team to implementing agencies to help them expedite procurement processes</p>
<p><b>Stakeholders</b> Opposition from stakeholders could pose a risk to the achievement of the project objective, particularly given the recent change in administration and the large number of stakeholders concerned.</p>	<p>Substantial</p>	<p>This risk will be mitigated by ensuring project outreach efforts through consultation with and inclusion of key stakeholders. A standing PFM Project Committee will be used to resolve any outstanding issues related to project implementation.</p> <p>As the proposed project is a follow-on project, many of the civil service stakeholders have been working for some time now on the reforms, so opposition should be minimal.</p> <p>The project scope and its objectives have already been widely discussed and well understood by all project stakeholders. Most key stakeholders have indicated active support for the project and donor interventions have been well coordinated.</p>





VI. RESULTS FRAMEWORK AND MONITORING

Results Framework

COUNTRY: Liberia

Public Financial Management Reforms for Institutional Strengthening

Project Development Objectives(s)

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

Project Development Objective Indicators

Indicator Name	DLI	Baseline	Intermediate Targets				End Target
			1	2	3	4	
<b>1: Improved online on time filing for large and medium taxpayers</b>							
ITAS Online, on time, large and medium taxpayer filing ratio for income tax, excise tax, and Goods and Services Tax (GST) (Percentage)		0.00	0.00	0.00	25.00	48.00	55.00
<b>2: Increased use of IFMIS in PFM and implementation of e-Procurement</b>							
MACs submitting to CAG quarterly financial statements using IFMIS data in a timely fashion (within 15 working days from end of quarter) (Percentage)		25.00	43.00	57.00	71.00	85.00	90.00
<b>3: Improved timeliness in review of audited reports of Government accounts</b>							
Frequency of PAC follow-up		0.00	2.00	4.00	6.00	8.00	10.00



Indicator Name	DLI	Baseline	Intermediate Targets				End Target
			1	2	3	4	
through GAC on implementation of annual performance audit observations and recommendations (Number)							

**Intermediate Results Indicators by Components**

Indicator Name	DLI	Baseline	Intermediate Targets				End Target
			1	2	3	4	
<b>1: Enhancing Domestic Revenue Mobilization Sources and Systems</b>							
1: Online ITAS Filing Services available (Yes/No)		No	No	No	Yes	Yes	Yes
<b>2: Stabilizing and Strengthening Performance of Financial Controls and Systems</b>							
2: IFMIS launched in 35 additional MACs (Number)		50.00	55.00	60.00	65.00	75.00	85.00
Number of MACs using the civil service module (CSM) (Number)		0.00	5.00	10.00	20.00	29.00	29.00
3: Intermediate Indicator 3: e-Procurement modernization roadmap developed (Yes/No)		No	No	Yes	Yes	Yes	Yes
<b>3: Improving Public-Sector Capacity for Enhanced Oversight and Accountability</b>							
4: Number of MACs and government policies/programs subject to Performance Audit (Number) (Number)		1.00	3.00	4.00	5.00	6.00	7.00
5: Number of citizens and CSO		0.00	50.00	100.00	150.00	250.00	350.00



Indicator Name	DLI	Baseline	Intermediate Targets				End Target
			1	2	3	4	
representatives that participate in annual budget discussions and are updated on the implementation of the year prior's citizen recommendations to budget (Number)							
Citizen participating in annual budget discussions proportion of which is female (Percentage)		0.00	20.00	30.00	40.00	50.00	50.00
Citizens participating in annual budget discussions, proportion of which are from outside of Monrovia (Percentage)		0.00	10.00	17.50	25.00	33.00	40.00
<b>4: Improving Upstream and Downstream PFM Systems in Selected Sectors</b>							
DLI1: Increase the percentage of (a) County Facility Level and (b) County Health Team Levels submission of financial reports to MoH within ten (10) working days of the end of each quarter (Text)		7%, 10%	24%, 32%	46%, 68%	68%, 80%	94%, 90%	94%, 90%
DLI2 - Increase in percentage of MoH units that are Participating in Planning and Budgeting Processes (Percentage)	DLI 2	9.00	20.00	40.00	65.00	75.00	75.00
DLI3: MoE HR Database checked and reconciled through verification of HR personnel records at the public	DLI 3	MoE HR Database has not been checked and reconciled through verification of HR	MoE HR Database established within 12 Critical Fields, populated using existing data	At least 25% of the public schools have been checked to vet personnel data [baseline	At least 50% (cumulative) of the public schools have been checked to vet	At least 75 (cumulative) of the public schools have been checked to vet personnel data	At least 75 (cumulative) of the public schools have been checked to vet personnel data



Indicator Name	DLI	Baseline	Intermediate Targets				End Target
			1	2	3	4	
schools (Text)		personnel records at the public schools.		0%]	personnel data		
DLI4 - Improved Personnel Management of the education sector to improve teachers monitoring (Text)	DLI 4	No automated reconciliation between HR databases for MoE; CSA and the respective public schools.	a) Inter-Ministerial Coordination Committee (IMCC) establishment approved by the Recipient's Cabinet (b) Monthly meetings of IMCC (MoE CSA, MFDP) held nine (9) months from the Effectiveness Date and Minutes including Decisions to be taken recorded and (c) Verification of actions on Decisions taken satisfactory to the Association	Conduct an analysis of at least 50 percent of teachers' payroll data in public schools and publish the consolidated results of the analysis on an annual basis	Conduct an analysis of at least 75 percent of teachers' payroll data in public schools and publish the consolidated results of the analysis on annual basis	Conduct an analysis of at least 100 percent of teachers' payroll data in public schools and publish the consolidated results of the analysis on annual basis.	Conduct an analysis of at least 100 percent of teachers' payroll data in public schools and publish the consolidated results of the analysis on annual basis.

**Monitoring & Evaluation Plan: PDO Indicators**

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
ITAS Online, on time, large and medium taxpayer filing ratio for income tax, excise tax , and Goods and Services Tax (GST)	The 'on-time filing rate' is the number of declarations filed by the statutory due	Semi annual	Financial management		LRA



	<p>date as a percentage of the total number of declarations expected from registered taxpayers, i.e. expressed as a ratio: Average of the (Number of on time PAYE, Excise and GST Returns filed by due date divided by number of expected declarations/returns from registered PAYE, Excise and GST) X 100).</p> <p>'On-time' filing means declarations (also known as 'returns') filed by the statutory due date for filing (plus any 'days of grace' applied by the tax administration as a matter of administrative policy.</p> <p>'Expected declarations' means the number of Large/Medium taxpayer PAYE, Excise and GST declarations that the tax administration expected to receive from registered CIT taxpayers that were required by law to file declarations.</p>				
MACs submitting to CAG quarterly financial statements using IFMIS data in a		Annual	Annual Project		MFDP



timely fashion (within 15 working days from end of quarter)			Progress Report		
Frequency of PAC follow-up through GAC on implementation of annual performance audit observations and recommendations		Annual	Annual audit and monitoring reports		GAC

**Monitoring & Evaluation Plan: Intermediate Results Indicators**

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
1: Online ITAS Filing Services available	Integrated Tax Administration System Online Filing tool availed to taxpayers on the LRA Web Portal	Annual	LRA data, ITAS reports	Verification of existence and availability of online tool.	MFDP
2: IFMIS launched in 35 additional MACs	Roll out of IFMIS solution to 35 additional MACs of GoL	Half yearly	Headcount of MACs	MFDP to count number of MACs using IFMIS solution	MFDP
Number of MACs using the civil service module (CSM)	Roll out of CSM to additional MACs of GoL	Annual	Headcount of MACs	Verification of whether MACs are connected to CSM solution	MFDP
3: Intermediate Indicator 3: e-Procurement modernization roadmap developed	Elaboration of an actionable e-Procurement roadmap	Annual	PPCC	Submission by PPCC of roadmap	PPCC
4: Number of MACs and government policies/programs subject to Performance		Annual	Headcount	MFDP, with GAC, to count number of GoL	MFDP



Audit (Number)				policies and/or programs currently subject to performance audit	
5: Number of citizens and CSO representatives that participate in annual budget discussions and are updated on the implementation of the year prior's citizen recommendations to budget		Annual	Headcount	MFDP, with NSA Secretariat, to count number of NSA participants in annual budget discussions who were then informed of GoL's formal responses to NSA suggestions.	MFDP
Citizen participating in annual budget discussions proportion of which is female		Annual	Headcount	MFDP, with NSA Secretariat, to count the percentage of NSAs participating in the annual budget discussions who are female.	MFDP
Citizens participating in annual budget discussions, proportion of which are from outside of Monrovia		Annual	Headcount	MFDP, with NSA Secretariat, to count the percentage of NSAs participating in the annual budget discussions who are based and/or live outside of Monrovia.	MFDP



DLI1: Increase the percentage of (a) County Facility Level and (b) County Health Team Levels submission of financial reports to MoH within ten (10) working days of the end of each quarter	Percentage of MoH departments and units that submit their quarterly financial reports at the a) county (facility) and b) CHT levels in a timely manner. 'Timely' means within ten working days of the end of the quarter	Annual	MoH financial reports reconciled with MFDP figures on dates of submission	Count of units, teams submitting reports within allotted time, divided by overall number of units, teams.	Ministry of Health
DLI2 - Increase in percentage of MoH units that are Participating in Planning and Budgeting Processes	Number of MoH departments and units participating in planning and budgeting processes	Annual	MoH registry	Headcount of number of MoH departments and units convened to participate in planning and budgeting processes	Ministry of Health
DLI3: MoE HR Database checked and reconciled through verification of HR personnel records at the public schools	Existence and integrity of MoE personnel database, as per data from schools	Annual	MoE personnel data, data from individual schools	Spot check of personnel data, verification of school visits	Ministry of Education
DLI4 - Improved Personnel Management of the education sector to improve teachers monitoring	Development of quarterly payroll data analyses	Annual	MoE personnel database	Quarterly analyses	MoE





**Disbursement Linked Indicators Matrix**

Disbursement Linked Indicators Matrix				
<b>DLI 1</b>	DLI1: Increase the percentage of (a) County and (b) County Health Team level financial reports to MOH within ten (10) working days of the end of each quarter			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Outcome	Yes	Text	1,000,000.00	5.26
Period	Value		Allocated Amount (USD)	Formula
Baseline	7%, 10%			
June 30, 2020	24%, 32%		250,000.00	As described under Procedure
June 30, 2021	46%, 68%		250,000.00	As described under Procedure
June 30, 2022	68%, 80%		250,000.00	As described under Procedure
June 30, 2023	94%, 90%		250,000.00	As described under Procedure
<b>DLI 2</b>	DLI2 - Increase in percentage of MoH units that are Participating in Planning and Budgeting Processes			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Intermediate Outcome	Yes	Percentage	1,000,000.00	5.26
Period	Value		Allocated Amount (USD)	Formula
Baseline	9.00			
June 30, 2020	20.00		250,000.00	As described under Procedure
June 30, 2021	40.00		250,000.00	As described under Procedure



June 30, 2022	65.00		250,000.00	As described under Procedure
June 30, 2023	75.00		250,000.00	As described under Procedure
<b>DLI 3</b>	<b>DLI3: MoE HR Database checked and reconciled through verification of HR personnel records at the public schools</b>			
<b>Type of DLI</b>	<b>Scalability</b>	<b>Unit of Measure</b>	<b>Total Allocated Amount (USD)</b>	<b>As % of Total Financing Amount</b>
Outcome	No	Text	1,000,000.00	5.26
<b>Period</b>	<b>Value</b>		<b>Allocated Amount (USD)</b>	<b>Formula</b>
Baseline	MoE HR Database has not been checked and reconciled through verification of HR personnel records at the public schools.			
June 30, 2020	MoE HR Database established within 12 Critical Fields, populated using existing data		250,000.00	As described under Procedure
June 30, 2021	At least 25% of the public schools have been checked to vet personnel data [baseline 0%]		250,000.00	As described under Procedure
June 30, 2022	At least 50% (cumulative) of the public schools have been checked to vet personnel data		250,000.00	As described under Procedure
June 30, 2023	At least 75 (cumulative) of the public schools have been checked to vet personnel data		250,000.00	As described under Procedure
<b>DLI 4</b>	<b>DLI4 - Improved Personnel Management of the education sector to improve teachers monitoring</b>			
<b>Type of DLI</b>	<b>Scalability</b>	<b>Unit of Measure</b>	<b>Total Allocated Amount (USD)</b>	<b>As % of Total Financing Amount</b>
Intermediate Outcome	No	Text	1,000,000.00	5.26
<b>Period</b>	<b>Value</b>		<b>Allocated Amount (USD)</b>	<b>Formula</b>



Baseline	No automated reconciliation between HR databases for MoE; CSA and the respective public schools.		
June 30, 2020	(a) Inter-Ministerial Coordination Committee(IMCC) approved by the Recipient’s Cabinet; (b) Monthly meetings of IMCC (MoE, CSA, MFDP) held nine (9) months from the Effectiveness Date and Minutes including Decisions to be taken recorded; and (c) Verification of Actions on Decisions taken satisfactory to the Association	250,000.00	As described under Procedure
June 30, 2021	Conduct analysis of at least 50 percent of teachers’ payroll data and publish annually consolidated results of such analysis	250,000.00	As described under Procedure
June 30, 2022	Conduct analysis of at least 75 percent of teachers’ payroll data and publish annually consolidated results of such analysis	250,000.00	As described under Procedure
June 30, 2023	Conduct analysis of at least 100 percent of teachers’ payroll data and publish annually consolidated results of such analysis	250,000.00	As described under Procedure



Verification Protocol Table: Disbursement Linked Indicators

<b>DLI 1</b>	DLI1: Increase the percentage of (a) County and (b) County Heath Team level financial reports to MOH within ten (10) working days of the end of each quarter
<b>Description</b>	Percentage of MoH departments and units that submit their quarterly financial reports at the a) county (facility) and b) CHT levels in a timely manner. 'Timely' means within ten working days of the end of the quarter
<b>Data source/ Agency</b>	MoH financial reports reconciled with MFDP figures on dates of submission
<b>Verification Entity</b>	IVA
<b>Procedure</b>	<p>IVA to spot check timeliness of submission of quarterly financial reports with MFDP figures</p> <p><b>Year 1:</b> 24% (at least 14% receives \$62,500 of the DLI allocation, with \$6,250 for every additional 1% up to a maximum of 24%) / 32% (at least 22% receives \$62,500 of the DLI allocation, with \$6,250 released for each additional 1%, up to a maximum of 32%)</p> <p><b>Year 2:</b> 46% (at least 36% receives \$62,5000 of the DLI allocation, with \$6,250 released for each additional 1%, up to a maximum of 46%) / 68% (at least 58% receives \$62,500 of the DLI allocation, with \$6,250 released for each additional 1%, up to a maximum of 68%)</p> <p><b>Year 3:</b> 68% (at least 58% receives \$62,5000 of the DLI allocation, with \$6,250 released for each additional 1%, up to a maximum of 68%) / 80% (at least 70% receives \$62,500 of the DLI allocation, with \$6,250 released for each additional 1%, up to a maximum of 80%)</p> <p><b>Year 4:</b> 94% (at least 84% receives 62,5000 of the DLI allocation, with \$6,250 released for each additional 1%, up to a maximum of 94%) / 90% (at least 80% receives \$62,500 of the DLI allocation, with \$6,250 released for each additional 1%, up to a maximum of 90%)</p>
<b>DLI 2</b>	DLI2 - Increase in percentage of MoH units that are Participating in Planning and Budgeting Processes
<b>Description</b>	



<b>Data source/ Agency</b>	MoH registry
<b>Verification Entity</b>	IVA
<b>Procedure</b>	<p>IVA to verify registry stating participation in planning and budgeting processes</p> <p>Year 1: 20% (at least 10% receives \$125,000 of the DLI allocation, with \$ 12,500 released for each additional 1%, up to a maximum of 20%)</p> <p>Year 2: 40% (at least 30% receives \$125,000 of the DLI allocation, with \$ 12,500 released for each additional 1%, up to a maximum of 40%)</p> <p>Year 3: 65% (at least 55% receives \$125,000 of the DLI allocation, with \$ 12,500 released for each additional 1%, up to a maximum of 65%)</p> <p>Year 4: 75% (at least 65% receives \$125,000 of the DLI allocation, with \$ 12,500 released for each additional 1%, up to a maximum of 75%)</p>
<b>DLI 3</b>	DLI3: MoE HR Database checked and reconciled through verification of HR personnel records at the public schools
<b>Description</b>	
<b>Data source/ Agency</b>	MoE personnel data, data from individual schools
<b>Verification Entity</b>	IVA
<b>Procedure</b>	<p>IVA to conduct random sampling of school data to validate MoE personnel database</p> <p><b>Year 1:</b> MoE HR database established with twelve (12) critical fields, populated using existing data - County, district, school/office, EMIS code (for schools), employee code, name, position, level, qualification, payroll status, payroll number, and salary</p> <p><b>Year 2:</b> At least 25% of the public schools have been checked to vet data of personnel database [baseline 0%]</p> <p><b>Year 3:</b> At least 50% (cumulative) of public schools have been checked to vet data of personnel database</p> <p><b>Year 4:</b> At least 75% (cumulative) of the public schools have been checked to vet personnel data</p>



<b>DLI 4</b>	DLI4 - Improved Personnel Management of the education sector to improve teachers monitoring
<b>Description</b>	
<b>Data source/ Agency</b>	MoE personnel database
<b>Verification Entity</b>	IVA
<b>Procedure</b>	<p>IVA to ensure development of quarterly payroll data analyses</p> <p><b>Year 1:</b> (a) Inter-Ministerial Coordination Committee (IMCC) approved by the Recipient’s Cabinet; (b) Monthly meetings of IMCC (MoE, CSA, MFDP) held nine (9) months from the Effectiveness Date and Minutes including Decisions to be taken recorded; and (c) Verification of actions on Decisions taken satisfactory to the Association</p> <p><b>Year 2:</b> Conduct analysis of at least 50 percent of teachers’ payroll data and publish annually consolidated results of such analysis</p> <p><b>Year 3:</b> Conduct analysis of at least 75 percent of teachers’ payroll data and publish annually consolidated results of such analysis</p> <p><b>Year 4:</b> Conduct analysis of at least 100 percent of teachers’ payroll data and publish annually consolidated results of such analysis</p>



## ANNEX 1: Implementation Arrangements and Support Plan

COUNTRY : Liberia

Integrated Public Financial Management Reform Project II

### Project Institutional and Implementation Arrangements<sup>25</sup>

1. **The implementation arrangements for the project will be built upon existing institutions including the RCU.** The Government will establish a PMU within the MFDP to accelerate implementation and attainment of results (see Figure 2, below). Further details are outlined in Figure 3 outlining the key implementers.
2. **Composition of the RCU.** The current RCU structure as indicated in the PFM Reform Strategy and Action Plan will be maintained. Additional staff will be recruited, including an International Procurement Policy Reform and Capacity Development Advisor, an International IFMIS Strategic Reform Advisor, a Change Management Advisor, and an NSA Secretariat Coordinator.
3. **Objective and Responsibilities of the PMU.** The objective of the PMU will be to ensure the timely procurement of goods, services (Consultancy), and contract management. The PMU will implement the day-to-day operations of the PFMRIS. The PMU will report on administrative matters to the Deputy Minister of Fiscal Affairs and programmatically to the RCU on implementation progress of PFMRIS on a quarterly basis.
4. **Composition of the PMU.** 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 PFM related matters will be handled by the PMU, as is the case with most donor-funded projects.
5. **The PMU will be staffed mainly by civil servants, selected for:** (i) having the requisite skills critical for the delivery of the major project outputs; and (ii) not subject to potential conflict of interest in managing the project.
  - Existing civil service staff would continue to be paid by the GoL based on their current salary scale whilst consultants with skills that are not available in the Government could be paid by the project;
  - For civil servants, reasonable allowances and other operational costs will be paid from the project resources in the performance of project related work.
6. **PFM Reform Steering Committee (PFMRSC).** In line with the PFM Reform Strategy and Action Plan, the PFM Reform Steering Committee (PFMRSC) is responsible for setting the program's overall policy direction, reviewing and reaffirming reform priorities, and coordination of all implementation partners and approving the Annual Consolidated Work Plans and Budgets. It will also provide a forum for the resolution of policy/strategic issues, which from time to time will constrain the implementation of PFM reform programs. In this function the

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<sup>25</sup> Project arrangements transcribed here were formally agreed to by the Government and World Bank.



PFMRSC will be responsible for providing policy direction, guidance, and oversight for policy and institutional reforms supported by this project.

7. **Composition of the PFMRSC.** This high-level, inter-agency committee will be chaired by the Minister of Finance and Development Planning and will comprise of heads of the PPCC, GAC, CSA, LRA, Ministry of Justice, and the Ministry of State. It will also comprise the Chair of the Project Technical Committee (PTC)-DMFA and the head of the RCU. It shall also comprise the NSA Coordinator and Head of National Civil Society Council. The Secretariat shall be headed by the RCU Coordinator.

8. **PFM Reform Technical Committee (PFMRTC).** Below the PFMRSC will be the PFMRTC—the second-level authority in the coordination of the PFMRI. The PFMRTC will serve as a mechanism for consultation and coordination among all implementing and participating agencies with regards to project activities. The PFMRTC will monitor the implementation of programs contained in the work and procurement plans, review the Annual Consolidated Work Plans and Budgets and will provide a forum for information sharing and joint resolution of technical issues that will appear from time to time. The PFMRTC will escalate all matters and recommendations regarding the implementation of the project for consideration by the PFMRSC.

9. **Composition of the PFMRTC.** The PFMRTC will be comprised of representatives of various PFM implementing MACs, including the National legislature, NSA Secretariat, Civil Society Organizations, Anti-Corruption Commission, LIPA, LICPA, the University of Liberia, and the heads of the RCU and PMU. The PFMRTC shall meet bi-monthly and shall be chaired by the Deputy Minister for Fiscal Affairs of the MFDP.

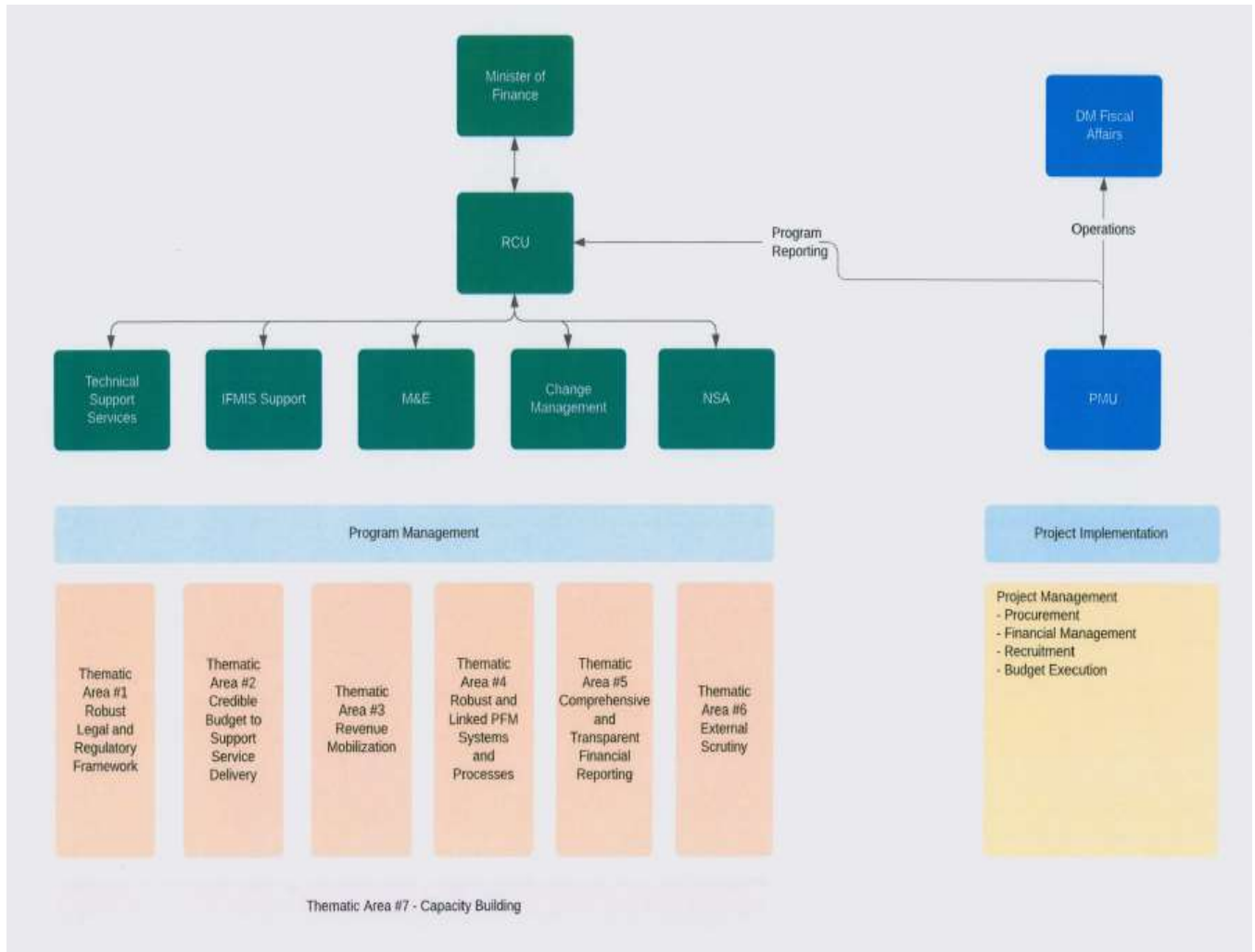
10. **IFMIS Project Management Implementation Coordination Team.** As a technical assistance project with significant ICT supported activities, an IFMIS Project Management Implementation Coordination Team (PICT) will be established under the project whose chair will be the Director of ICT from the Ministry of Posts and Telecommunications or Ministry of Finance and Development Planning, as deputized by the IFMIS Reform Strategic Advisor from the RCU. This will be a multi-disciplinary team that will meet every fortnight to deliberate progress reports from sub-implementation work groups. The PICT will be tasked to undertake routine management activities of the IFMIS implementation. The main objective of the PICT is to effectively manage all associated issues related to the roll-out of IFMIS and the introduction of new modules. The functions of the PICT shall also include: confirming the scope, goals, and objectives of the IFMIS sub-project; identifying project risks and developing strategies to manage the perceived risks; meeting quality assurance standards for project management and building capacity within GoL to support the smooth and effective operation. Membership of the PICT shall include the Director of ICT from the Ministry of Posts and Telecommunications; IFMIS Strategic Advisor for the RCU, Deputy Accountant General, representative from the Department of Budget, Director of Internal Audit, and key representatives from the Civil Service Agency, GAC, and the LRA.

11. **Reporting.** The Deputy Minister for Fiscal Affairs or any other Deputy Minister designated by the Minister of Finance will have oversight responsibility for implementation of the PFMRI. The PMU will report to the Deputy Minister for Fiscal Affairs and the RCU. The PMU will provide reports to the RCU Coordinator on the progress of the implementation of the work plan. The RCU will use this information to prepare an overall PFM Reform Program Status report for the Minister of Finance and Development Planning as well as for the PFM Steering Committee. Through this consolidated report, the RCU will provide the overall status on the PFM program to ensure that the Minister monitors their state of implementation. These reports shall be quarterly and annually; and shall be discussed at the PFM Reform Steering Committee chaired by the Minister.





Figure 1: Proposed Organogram



**Reform Coordination and the RCU**

12. **The mandate of the RCU is to facilitate coordination in implementing the PFM program and provide quality control by ensuring the highest level of impact in delivering its activities.** It also helps to promote strong Government leadership and ownership of the priorities and outputs of the PFM program (including the 13 projects that currently comprise the PFM Reform program). The RCU is part of the Office of the Minister of Finance and Development Planning.

13. **The RCU is the Secretariat to the PFMRS according to its mandate in the PFM strategy.** In this role, the RCU informs the PFMRS about implementation progress regarding PFM reforms. It also ensures that the PFMRS receives the appropriate information to support its policy monitoring and decision-making roles. The RCU is expected to undertake the following functions:



- Preparing and updating the PFM policy monitoring framework (PFM matrix), providing it to the PFMRSC for its business;
- Working with PFM themes, and developing strategic policy and operational issues to be raised to the PFMRSC;
- Providing informed guidance to enable the decision-making process on PFM reforms;
- Appraising, compiling and presenting financing proposals in relation to the PFM reform activities;
- Presenting an annual work plan and budget in collaboration with PFM themes, including the operational budget for the Secretariat for adoption by the PFMRSC;
- Following up with PFM themes on the implementation of PFMRSC actions; and
- Generating working documents and any other technical document required for the review, deliberation and approval by the PFMRSC.

14. **The RCU should facilitate both the technical and the policy dialogue between the Government and its Development Partners (DPs) regarding PFM reforms.** The DPs should be provided with information to support their own decision-making processes in determining their intervention. They should also be kept informed about the progress in implementing the reforms. In this role, the RCU is expected to:

- Compile and update the PFM policy matrix and program-wide progress reports, making them available to both the GoL and the DPs;
- Assume the role of secretariat with respect to meetings of the PFM GoL/DP dialogue;
- Coordinate donor interventions for PFM reforms and ensure that they are aligned with the overall PFM reform strategy and reform plan; and
- Clarify and ensure the implementation of procedures for resource mobilization.

15. **The RCU should coordinate PFM DP missions, as well as analytic and diagnostics and other program reviews.**

16. **The RCU works with several themes.** The RCU should be supporting Theme Leaders in implementing their activities. It should also facilitate coordination between the themes and the DPs, as well as reporting to the PFMRSC. As such, the RCU will undertake the following functions:

- Guide themes and establish coordination structures;
- Guide themes on developing proposals for financing, as well as for procedures for resource mobilization;
- Guide and monitor the proper application of procedures for financial management, procurement, reporting and auditing in accordance with GoL / DP agreements;
- Guide themes in preparing and reporting on work plans; and
- Undertake procurement planning based on work plans and ensure the timely delivery of inputs (including TA) to theme work plans.

17. **The RCU should implement a quality control process in relation to mobilizing program inputs, as well as in implementing and reporting on program activities.** In doing so, the RCU is to:

- Establish and provide guidance on the program monitoring framework;



- Review and provide guidance about the quality of planning, designing and delivering program outputs to maximize their impact;
- Appraise and advise the SC on themes and the sequencing of reforms and activities to maximize impact and sustainability;
- Establish procedures to promote greater ownership and sustainability of reform activities by the Government;
- Establish procedures for designing and managing technical assistance, ensuring that it is relevant, appropriate, effective — and that technology and skills are appropriately transferred; and
- Coordinate program reviews and evaluations.

18. **The MFDP will gradually strengthen the capacity of the RCU, including through the recruitment of key staff, long-term PFM/IT technical assistance, and the securing of a budget for its operations.** Based on the experience of the IPFMRP, it is important that the RCU focus on the original design functions that will enable the GoL to implement the PFM reform strategy.

19. **The Coordinator for the RCU shall be a liaison officer facilitating interaction between the Government or its units and the DPs regarding day-to-day aspects relating to the implementation of the PFM strategy.** This will include, among other things, facilitating DP missions and dialogue with the PFM Steering Committee. It should also facilitate the technical dialogue with implementing units, thereby enabling access to information that will be required by the DPs in their own FM processes.

20. **The Coordinator will present a special statement in each of the two quarterly SC meetings.** This statement is key in informing and seeking the advice of the PFMRS on policy and implementation issues that may have been captured in the discussions under the Policy Matrix.

21. **Key elements of the Coordinator’s statement at the PFMRS may include, but are not limited to, the following:**

- Major implementation and coordination issues within the program and with other programs or institutions;
- Emerging PFM policy and coordination issues resulting from meetings of PFM structures or other Government policies and actions;
- Financing issues, including GoL and DP performance and likely impact on program implementation;
- Establishing a work plan and budget;
- Identifying funding to implement the work plan, including for operations and the acquisition of necessary facilities;
- Recruiting and filling positions within its structure;
- Supporting the establishment of program governance and coordination arrangements;
- Support the Themes to make the appropriate management and coordination arrangements;
- Obtain the approval of each PFM updated manual; and
- Facilitate the establishment of procedures set out within Themes and other units (PFMU, and so on).

### **Project Oversight and the Role of Government Agencies and Entities**

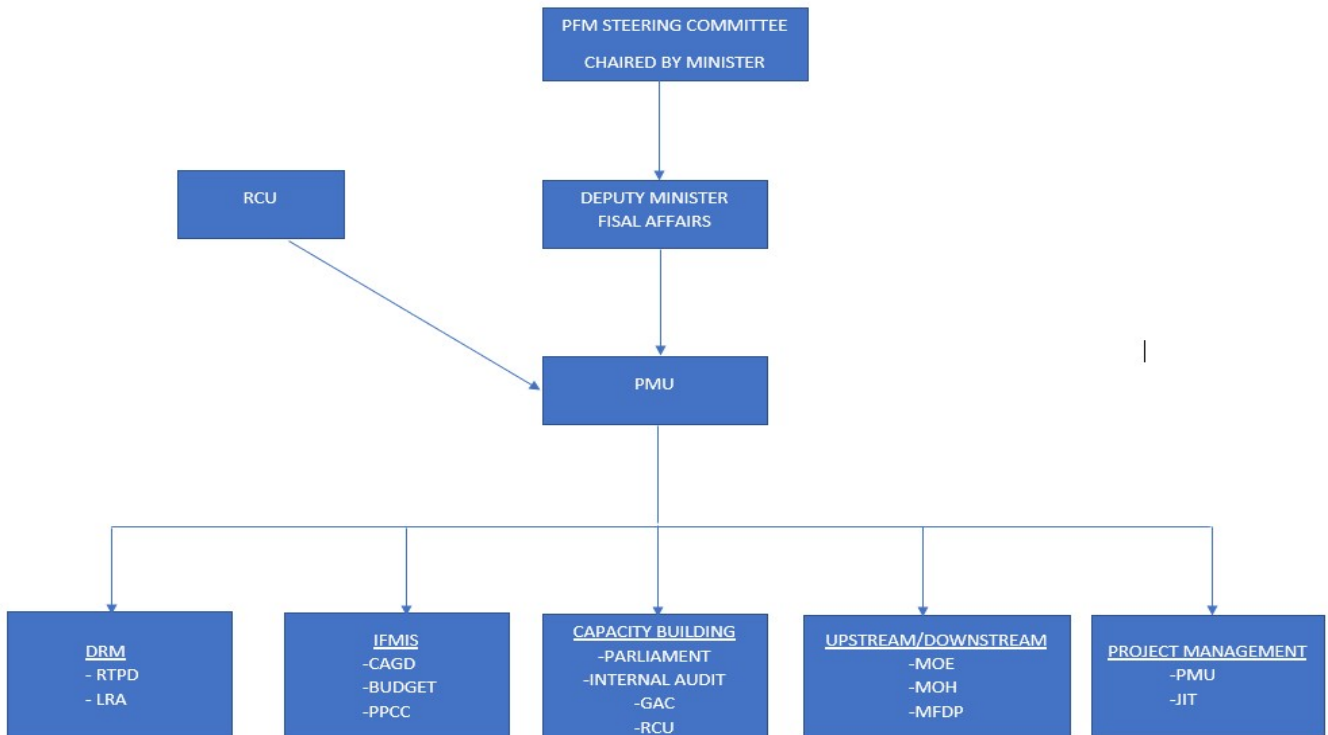
22. **Consistent with the PIM, the PFMRS shall be the main structure responsible for strategic oversight of the overall reform program.** It will provide policy coordination and will serve as the forum for resolving strategic issues, pending program implementation. The PFMRS shall continue to be the forum for policy dialogue with development partners on PFM reform initiatives of the Government (to be coordinated by the RCU). The PFMRS



will be responsible for approving the annual work program and the related budget. The PFMRS shall meet on a quarterly basis. It is proposed that the PFMRS shall have the following membership: the MFDP Minister (Chair), the Ministers of State, the Minister of Justice, the Director-General of the Civil Service Agency, the Auditor General, the Executive Director of the PPCC, the Chair of the PTC, as well as the Head of the RCU to provide secretariat services. To facilitate information sharing and coordination with other PFM-related committees and programs, the coordinator of the established PMU shall select issues arising from the meetings of the PFMRS that are pertinent to their roles and share these with the relevant organizational structures.

23. **A PTC will be formed for this project.** It shall be the forum for all component leads to monitor and coordinate the implementation of program activities. The respective beneficiary departments or agencies shall select theme leads for each of the five components of the project. The PTC shall meet every month. Its membership shall be as follows: the Deputy Minister of Finance (Fiscal Affairs) who will be the Chair, all Theme/Component Leads and Alternate Leads, and Leads of cross-cutting activities— for example, for the IFMIS and capacity building, as well as the heads of the RCU and PMU. The head of the PMU will play a proactive facilitation role by organizing monthly meetings to monitor implementation progress. The head of the PMU will also make presentations of progress at the monthly donor meetings, including sharing the status of procurement plans.

Figure 3 Implementation relationships within the project.





### Coordination with Development Partners

24. **A Joint Government-Development Partner Committee will meet twice annually to review the progress of implementation regarding PFM reforms.** Joint implementation support missions will be undertaken semiannually to review implementation progress against key milestones and provide technical support to implementation partners. The RCU will be the key point unit in organizing such a review.

### Financial Management

25. **The PFMU will continue to be responsible for the day-to-day management of funds and accounting for the World Bank and others in the donor portfolio in Liberia.** The project shall use the project's Financial Procedures Manual already developed for ongoing projects, and it will be brought into the IFMIS system. The PFMU shall be responsible for the project's financial reporting, using already agreed unaudited IFR formats in use for other projects. The PFMU is adequately staffed with competent finance professionals who have garnered the requisite experience and have qualifications acceptable to the World Bank. The agreed proposal is to have a PMU, which will be responsible for the day-to-day operations of the project. The PMU will have one FM specialist who will be responsible for financial management, as well as for working closely with the PFMU on the reporting requirements for the World Bank.

26. **The Annual Work Plan and Budget (AWP&B) will be derived from the procurement plan and disbursement plans.** It will be updated to reflect implementation progress. The PMU, in consultation with the PFMU and RCU, will prepare the AWP&B which should be approved by the PFMRSC. The PMU will submit the approved AWP&B to the World Bank for no objection before the end of the financial year.

### Accounting and Reporting

27. **Project accounts will be maintained on a cash basis, supported with appropriate records and procedures to track commitments and to safeguard assets.** The use of the project funds will be reported through the rendition of quarterly IFRs acceptable to the World Bank. The PFMU is responsible for preparing the quarterly IFRs using the existing agreed template. The IFRs are to be submitted to the World Bank 45 days after the end of each fiscal calendar quarter. The IFRs comprise, at a minimum: (a) sources and uses of funds, (b) uses of funds within components, (c) fund disbursement status, (c) a schedule of fixed assets, (d) a schedule of withdrawal applications, and (e) bank account reconciliation statements.

### Internal Controls and Audit

28. **The PFMU will establish internal control procedures and processes that ensure appropriate personnel approve transactions.** Adequate segregation of duties between approval, execution, accounting, and reporting functions should be in place.

29. **The Internal Audit Unit that is currently in use will continue to be used for the internal audit of the project.** Internal auditors are supposed to submit internal audit reports to the World Bank 45 days after the end of every six months (that is, in September and March).

### External Audit Arrangements

30. **An independent and qualified auditor, acceptable to the World Bank, will conduct annual audits at the end of each GoL fiscal year.** The auditor should be selected within six months of project effectiveness on a competitive basis and in accordance with the World Bank's Procurement Guidelines. It should also be based on



terms of reference acceptable to the World Bank. The project financial statements, including movements in the Designated Accounts (DAs), will be audited in accordance with the International Standards of Auditing (ISA), and a single opinion will be issued to cover the project financial statements in accordance with the World Bank's audit policy. The auditors' report and opinion with respect to the financial statements and activities of the DA, including the Management Letter, will be furnished to the World Bank within six months after the end of each governmental fiscal year.

### **Funds Flow Arrangements**

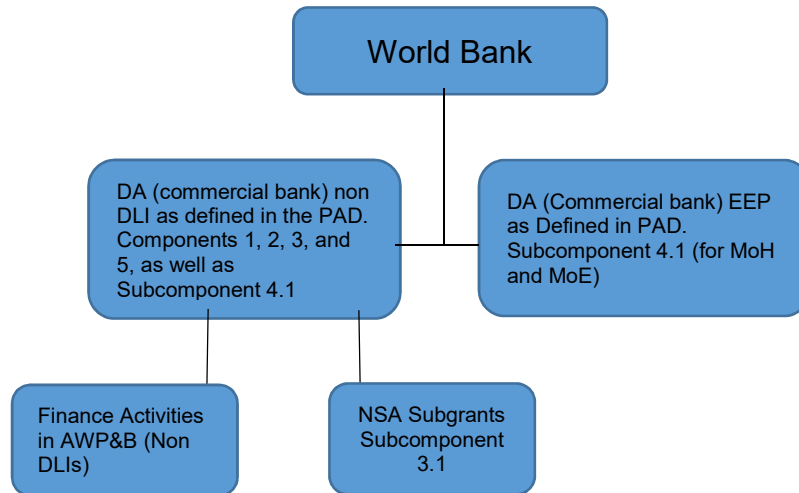
31. **The project will also use the report-based disbursement method for accessing funds into the designated account for project implementation.** Grant proceeds will flow from the IDA to a Designated US Dollar account to be opened at commercial bank acceptable by the World Bank and managed by the PFMU. Payments will be made for eligible project expenses from the Designated US Dollar account. The report-based disbursement method (Interim Financial Reports) will be used as a basis for the withdrawal of all grant proceeds. An initial advance will be provided for the implementing entity, based on a forecast of eligible expenditures against each component, linked to the appropriate disbursement category. These forecasts will be premised on the annual work-plans that will be provided to the IDA and cleared by the World Bank task team leader. Replenishments, through fresh withdrawal applications to the World Bank into the DAs will be made subsequently, at quarterly intervals, but such withdrawals will equally be based on the net cash requirements that are linked to approved work-plans and percentage contribution to the pooled fund. Supporting documentation will be retained by the implementing agencies for review by the IDA missions and external auditors. For a period of four months after the closing date, disbursement for expenses incurred prior to the closing date will be allowed.

32. **The disbursements for DLIs will be made against achievement of DLIs targets.** A certain amount of grant proceeds has been allocated to each DLI, referred to as the DLI allocation, which is the amount that the MoH and MoE can claim as disbursements against EEPs if that DLI has been achieved and verified. These EEPs are a part of recurrent expenses of the eligible activities, clearly identifiable in the MoH's and MoE financial statements. The limit for each DLI has been agreed.

33. **This mode of disbursement will mainly involve reimbursement of certified EEPs supported with achieved DLIs' and other relevant documentation.** An advance can be made to enable GoL to undertake activities given the context of Liberia's tight fiscal space. Decisions over compliance and disbursement against indicators will be made based on reports prepared by the two ministries and submitted to the independent verification agent with necessary documentation assuring that they have been satisfied. Disbursements against EEPs and DLIs will flow to a special account to be opened. The Bank will issue a Disbursement Letter which will set out and summarize all the disbursement arrangements and procedures under the project. The letter will include the World Bank Disbursement Guidelines.



Figure 4: Flow of Funds Diagram



### FM Covenants

- 34. Quarterly progress reports on financial progress will be prepared and sent to the Bank no later than 45 days from the end of the quarter.
- 35. Annual audit reports will be prepared and submitted to the Bank within six months of the end of the year audited.
- 36. AWP&B shall be prepared and submitted to the Bank by the end of each FY year.

### Supervision Plan

- 37. Consistent with the overall residual risk rating considered to be substantial, two supervision and implementation missions shall be carried out each year complemented with a lot of handholding for the clients in the initial two years. A separate supervision plan is currently being developed to guide the team on fiduciary aspects given the heightened fiduciary risks noted.

### Disbursements

- 38. **The disbursement arrangements for the project will follow what was previously done in the first project.** The arrangements will consider, among other things, an assessment of the borrower’s FM and procurement arrangements, cash flow needs for the project, and IDA disbursement experience with the Borrower. Those arrangements are outlined in the Financing Agreement and Disbursement Letter. Table 9 details the disbursement categories.

**Table 9: Disbursement Categories**

Categories	Amount of the Grant Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, non-consulting services, consulting services, Training and Operating Costs under the Project, except Parts 2, 3.1 (d) (iii) and 4(b) of the Project	5,800,000	100%
(2) Goods, non-consulting services, Training and Operating Costs under Part 2 of the Project	2,000,000	100%
(3) NSA Sub-Grants under Part 3.1(d) (iii) of the Project	145,000	100%
(4) Eligible Expenditures Program under Part 4(b) of the Project	2,900,000	100% from the Grant for each DLI Amount set out in Schedule 3 (or such lesser percentage as represents the total Eligible Expenditures paid for by the Recipient under the Eligible Expenditure Program as of the date of withdrawal).
(5) Unallocated	180,000	Not applicable
(6) Refund of Preparation Advance	2,775,000	Amount payable pursuant to Section 2.07(a) of the General Conditions
<b>TOTAL AMOUNT</b>	<b>13,800,000</b>	

39. **Disbursements of funds to the project will follow any of the following methods:** (a) reimbursement, where IDA may reimburse the borrower for expenditures eligible for financing, pursuant to the Financing Agreement (eligible expenditures), that the Borrower has pre-financed from its own resources; (b) advances, where IDA will advance funds from the Financing Account into a DA of the borrower to finance eligible expenditures as they are incurred and for which supporting documents will be provided; (c) direct payment, where IDA will make payments, at the Borrower's request, directly to a third party (for example, supplier, contractor, or consultant) for eligible expenditures; and (d) special commitment, where IDA will pay amounts to a third party for eligible expenditures under special commitments entered into, in writing, at the Borrower's request and on terms and conditions agreed between the Borrower and the World Bank.

40. **The following are requirements for funds to be withdrawn or committed.** Before funds from the Financing Account are withdrawn or committed, the authorized representative of the Borrower (as designated in the Financing Agreement) will furnish to the World Bank, electronically through the Client Connection website (<http://clientconnection.worldbank.org>), or through an authorized signatory Designation Letter, the name(s) of the official(s) authorized to: (a) sign and submit applications for withdrawal and applications for a Special Commitment (collectively, applications); and (b) receive secure identification credentials from the World Bank. The GoL will notify the World Bank of any changes in signature authority, either electronically in Client Connection or through an updated authorized signatory Designation Letter. Applications will be provided to the World Bank in such form as is required to access funds from the Financing Account and will include such information as the World Bank may reasonably request. Applications and necessary supporting documents will be submitted to the World Bank electronically, in a manner and on terms and conditions specified by the World Bank, through the





Client Connection website at <http://clientconnection.worldbank.org>. The World Bank will, at its discretion, temporarily or permanently, disallow the electronic submission of applications by the Borrower. The World Bank will permit the GoL to complete and submit applications manually in paper form. Paper application forms can be found on the Client Connection website at <http://clientconnection.worldbank.org> or may be obtained from the World Bank upon request. The World Bank establishes a minimum value for applications for Reimbursement, Direct Payment, and Special Commitment. The World Bank reserves the right to not accept applications that are below such a minimum value. DLI disbursement and verification protocol can be found in Annex 2.

## Procurement

41. **The Borrower will carry out procurement under the proposed project in accordance three provisions.** These are: (a) World Bank's 'Procurement Regulations for IPF Borrowers' (Procurement in Investment Project Financing-Goods, Works, Non-Consulting and Consulting Services; dated July 2016, revised November 2017 and August 2018); (b) the World Bank's 'Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants,' dated October 15, 2006, and revised in January 2011 and as of July 1, 2016; and (c) other provisions as stipulated in the Financing Agreements.

42. **Procurement under this project shall be carried out by the MFDP through its PMU, the GAC, the LRA, and the PPCC.** The institutional arrangements for procurement build on the institutional arrangements used for the previous IPFMRP project.

43. **The capacity assessment for the following six (the MFDP, the GAC, the PPCC, the LRA, the Financial Management Training Program (FMTP), and the IAA) of the ten implementing agencies, who had indicated that they had the capacity to undertake their own procurements under PFMRIS, was conducted by the World Bank team during the project preparation process (February 1, 2017–April 20, 2018).** Most implementing agencies were part of the previous IPFMRP except the Ministry of Education and the Ministry of Health. However, under IPFMRP, only two agencies were procuring entities (that is, the MFDP through the RCU and the GAC). This assessment has resulted in the following findings:

- (a) The MFDP as a Procuring Entity has a history of implementing World Bank-funded procurements, including the just completed IPFMRP project. In compliance with the Public Procurement and Concessions Act (PPCA) amended and restated in September 2010, the MFDP is a procuring entity with a Procurement Unit (PU) and a Procurement Committee (PC). The MFDP has a Procurement Unit in place. A qualified Procurement Director heads a team of three other Procurement Unit staff. Three of the four MFDP procurement staff have postgraduate diplomas from the FMTP. Although they have limited experience in World Bank-funded procurements (as they are not involved in project implementation which is facilitated by the RCU), the review noted their high level of professionalism in managing Government-funded procurements and handling record management. The MFDP will be encouraged to use some of these staff and consider attaching them to the PMU as procurement officers. The RCU has three staff, an international procurement specialist and two national counterparts. However, the two national counterparts did not undergo basic procurement training. They both possess MBA Finance Degrees instead of a post-graduate diploma in procurement from the FMTP. Also, they have only attended short-term training workshops in procurement. This may explain the number of gaps that were noted in the execution of the IPFMRP. Given the professionalism of the procurement staff at the Ministry's Procurement Unit and the small-value procurement packages expected under PFMRIS for implementing agencies whose procurements will be facilitated by the PMU, it is highly recommended that at least one



procurement officer within the Ministry's Procurement Unit who has a post-graduate diploma in procurement from the FMTP be assigned to the Project to support the National Project Procurement Specialist. This recommendation will help the Ministry's Procurement Unit build capacity in managing World Bank-funded procurements. Additionally, within three months of effectiveness, the project will hire an International Procurement Specialist (IPS) with proven experience as a trainer on World Bank procurement procedures during the first two years of implementation. The IPS will help build the capacity of the national procurement officers for all the implementing entities through mentoring and coaching. The IPS will also assist all the implementing entities in moving the larger cost procurement items. Procurement staff will also require training on the New Procurement Framework (NPF), contract management, and selection and employment of consultants.

- (b) The GAC, as a procuring entity, has a history of implementing World Bank-funded procurements, including the just completed IPFMRP. In compliance with the Public PCCA, amended and restated in September 2010, the GAC is a procuring entity with a Procurement Unit and a Procurement Committee. The Procurement Unit is headed by a qualified procurement manager, who is assisted by the procurement coordinator and two other procurement staff. The procurement coordinator has a post-graduate diploma from the FMTP. They were involved in the implementation of procurement activities under the IPFMRP and are conversant in national bidding procedures regulated by the Government. International bidding following the requirements of the World Bank remains a challenge for GAC staff. They will require training on the NPF, contract management and the selection and employment of consultants.
- (c) The PPCC, as a procuring entity, is familiar with World Bank-funded procurements, although it was not involved in the actual undertaking of procurement activities under the IPFMRP, as this was facilitated by the RCU. In compliance with the PCCA, as amended and restated in September 2010, the PPCC is a procurement entity with a Procurement Unit and a Procurement Committee. The Procurement Unit is headed by a qualified procurement manager, who is supported by two other procurement staff. In addition to other qualifications, all the staff have Level 4 Chartered Institute of Purchasing and Supply Qualifications. However, they have limited experience in World Bank-funded procurements. They are more conversant with national bidding procedures regulated by the Government. International bidding following the requirements of the World Bank remains a challenge for PPCC staff. As such, they will require training on the NPF, contract management, selection and employment of consultants and open bidding processes using World Bank procurement procedures.
- (d) The LRA, as a procuring entity, is familiar with World Bank-funded procurements, although it was not involved in the actual undertaking of procurement activities under the IPFMRP, as this was facilitated by the RCU. In compliance with the PCCA, as amended and restated in September 2010, the LRA is a procurement entity with a Procurement Unit and a Procurement Committee. The Procurement Unit is headed by a qualified procurement director, who is supported by 12 other procurement staff, most of whom have post-graduate diplomas from the FMTP. However, they have limited experience in World Bank-funded procurements. They are more conversant with national bidding procedures regulated by the Government. International bidding following the requirements of the World Bank remains a challenge for LRA staff. As such, they will require training on the NPF, open bidding processes, contract management and the selection and employment of consultants using World Bank procurement procedures.
- (e) The FMTP, although part of the IPFMRP, is not a procuring entity. It does not have a Procurement Unit and dedicated procurement staff as required by the PCCA, as amended and restated in September 2010.



Hence, it was found to have no internal capacity to carry out its own procurements. FMTP procurements under the PFMRIS will be carried out by the PMU, which will be under the MFDP.

- (f) The IAA, as a procuring entity, is not familiar with World Bank-funded procurements, although was part of the groups of implementing agencies under the just completed IPFMRP. In compliance with the PPCA, as amended and restated in September 2010, the IAA is a procurement entity with a Procurement Unit and a Procurement Committee. However, all three staff in the Procurement Unit have no basic training in procurement. Rather, their training is in accounting, and they are relatively new. In addition, due to limited budget, they have not processed any meaningful procurements, which would give them the capacity to manage procurement under the project. The IAA procurements under the PFMRIS will, therefore, be carried out by the PMU, which will be under the MFDP. The staff will, however, benefit from procurement-related training under the project.

44. **This assessment rated the overall procurement risk as *Substantial*, given the procurement scope, the number of procuring entities, and associated risks identified.** The main risks identified which could adversely influence project implementation if not mitigated are:

- (a) Limited procurement capacity;
- (b) Insufficient and uneven level of capacity, knowledge, and experience in the consistent and appropriate application of World Bank Procurement Regulations for IPF Borrowers, rules, and procedures — particularly with respect to the new possibilities afforded by the New Procurement Framework;
- (c) Delays in procurement processing due to limited experience in open international bidding processes and procurement of consulting services;
- (d) Inadequate contract management capacity, which may cause implementation delays and/or lead to contractual disputes; and
- (e) Inadequate record keeping.

45. **Procurement risk control measures.** The proposed mitigation measures to control such risks are summarized in Table 10.

Table 10: Procurement Risk Control Measures

#	Risk	Actions	Responsible Agency	Expected Date of Completion
1	Limited procurement capacity	Hire a qualified and experienced International Procurement Specialist with proven experience as a trainer on World Bank procurement procedures during the first two years of project implementation; to build the capacity of the national procurement officers for all procuring entities through mentoring, and coaching; and assist all the procuring entities to move the large cost procurement items.	PMU	By project effectiveness
		Hire a National Procurement Specialist to facilitate procurements for all Implementing Entities that lack	PMU	By project effectiveness



#	Risk	Actions	Responsible Agency	Expected Date of Completion
		<p>the internal capacity to carry out their own procurements.</p> <p>The MFDP will assign and maintain throughout project implementation at least one dedicated qualified National Procurement Officer with a Post-Graduate Diploma in Public Procurement from the FMTP.</p> <p>The GAC, the LRA, and the PPCC will each assign and maintain, throughout project implementation, dedicated qualified personnel with Post-Graduate Diplomas in Public Procurement from the FMTP.</p>	<p>MFDP</p> <p>GAC, LRA, and PPCC</p>	<p>Throughout project implementation</p> <p>Throughout project implementation</p>
2.	Insufficient and uneven level of capacity, knowledge, and experience in the consistent and appropriate application of World Bank Procurement Regulations for IPF Borrowers, rules and procedures — particularly with respect to the new possibilities afforded by the New Procurement Framework	Procurement staff of Procuring Entities will receive training on the World Bank Procurement Regulations for IPF Borrowers. The Bank will also provide constant support to all PEs to ensure the proper use of World Bank Procurement Regulations by IPF Borrowers.	World Bank, Implementing Agencies	Throughout project implementation
3	Delays in procurement processing due to limited experience in open international bidding processes, procurement of Consulting Services and contract management	The International Procurement Specialist to conduct in-house training sessions for National Procurement Officers of PEs in the procurement of Goods, Works, Non-consulting Services and Consulting Services to enhance procurement capacity.	PMU, GAC, LRA, and PPCC	Throughout the first two years of project implementation
4	Inadequate record keeping	To enhance proper record keeping and filing, each PE will assign dedicated staff to manage all procurement records.	PMU, GAC, LRA, and PPCC	Throughout project implementation
5	Procurement procedures of this project will be reflected in the PIM	Implementing agencies will prepare procurement procedures to introduce procurement arrangements planned for this project	Implementing Agencies	By project effectiveness

46. **Filing and record keeping.** The Procurement Procedures Manual will convey the detailed procedures for maintaining and providing readily available access to project procurement records, in compliance with the Financing Agreement.



47. **The signed contracts, as in the log book, shall be reflected in the commitment control system of the procuring entities' accounting system or books of accounts as commitments whose payments should be updated with reference made to the payment voucher.** This will establish a complete record system, whereby the contracts and related payments can be corroborated.

48. **The Project Procurement Strategy for Development (PPSD).** As part of project preparation, the implementing agencies (with support from the World Bank) have prepared their PPSD. They have done so using inputs taken from a tentative market survey and analysis of potential contractors and suppliers available for the proposed procurement scopes, the assessment of the operational context, their institutional capacity, and procurement-related risk analysis. Through these analytical assessments, the PPSD includes recommendations on procurement arrangements under the proposed project and the associated Procurement Plans. The PPSD also addresses how procurement activities would support the achievement of the PDO and deliver the best value for money under a risk-managed approach. Finally, the PPSD outlines the following procurement scope for IDA financing, which will support the achievement of the PDO:

- (a) **Civil works.** Works will only include contracts for: (i) minor works for the repair/refurbishment of a resource center/reading room, classrooms, and offices; and (ii) refurbishing of the LRA training center.
- (b) **Goods.** Goods will include contracts for: (i) Motor vehicles, (ii) Office equipment such as laptops, printers, servers, projectors, tablets, scanners, and cameras, (iii) Office Furniture, (iv) Generator sets, (v) CAAT Software, (vi) Air conditioners, (vii) Internet modems and, (viii) Stationery.
- (c) **Non-consulting services.** Non-consulting services will include contracts for: (i), (ii), (iii) Installation, subscription and servicing of internet connectivity (iv) Upgrade/replacement of Battery Bank, (v) IFMIS Connectivity (WiMAX), (vi) LAN for IFMIS, (vii) Fiber connectivity for IFMIS (SLA for Data Center and Battery Bank, and (viii) Installation of database management software.
- (d) **Consulting Services.** The consulting services will include: (i) long-term contracts for PMU staff; (ii) Consulting services to develop training modules, (iii) TA for Syllabi Integration Program (SIP), (iv) TA for post implementation review of PENTANA, (v) Hiring of a database Administrator (vi) TA to provide support for software usage, (vii) Consulting services for the activation of the IFMIS Budget Module, (viii) TA for institution support (ix) TA to provide support for system stability (SIGTAS) now that new system will not be procured until the second year (x) Consulting services to develop specifications for an Integrated eProcurement Platform for Liberia, (xi) Consulting services to develop and deploy an Integrated eProcurement Platform for Liberia, (xii) Consulting services to identify areas for amendment of the PPCA to develop appropriate provisions, (xiii) Consulting services to Establish Continuing Professional Development (CPD) Framework for Liberia.
- (e) **Operational Costs:** Project operation costs such as motor vehicles operation and maintenance cost will be kept at minimum so as to focus the project resources on reform core costs outlined within components one to four, maintenance of equipment, communication costs, rental expenses, utilities expenses, consumables, supervision and so on.

49. **The market assessment in the PPSD reveals that there is a limited number of suppliers of ICT equipment and complex professional services in Liberia.** However, the clients have sound knowledge of the market and in the previous project, they approached the market adequately. Procurement activities will principally be based on international competition. Given that some of the procurement activities under the PFMRIS require continuity of



what was implemented under IPFMRP, it is expected that the Direct Selection procurement method will be used. Some contracts envisaged are (a) procurement of user licenses for the SIGTAS and (b) IFIMIS enhancement and expansion, which will include the implementation of additional modules, the integration of EFT capabilities, the developments of interfaces, and the provision of addition user licenses. It is further expected that for some ICT systems such as e-Procurement solution, limited bidding may be used to ensure value for money. The procuring entities will enhance its contract management capacity through training.

50. **Summary of procurement arrangements.** The World Bank has reviewed the outputs of the Procurement Strategy developed by the borrower and agrees with the proposed procurement arrangements under the project. The procurement method and review thresholds may be subject to the World Bank’s review and modification throughout the project period based on the procurement performance and risk rating of the project. The World Bank will officially notify the Borrower about such changes on time, to ensure smooth implementation. Table details the procurement arrangements for low value risk activities; this table is *not* inclusive of all procurement scheduled for the project.

**Recommended Procurement Approaches for the Project**

**Recommended approach for high value high risk procurement items**

- Acquire an Integrated Tax Administration System for the Liberia Revenue Authority Incrementally through a phased approach (US\$4.62 million)

**Table 11: Recommended Procurement Approaches for the Project**

Attribute	Selected arrangement	Justification Summary/Logic
Specifications	Conformance	Bidders need to conform to the given functional and technical specifications
Sustainability Requirements	No	No sustainability and environmental aspects that will have procurement impact, over and above compliance with the existing Liberia and international standards.
Contract Type	Traditional	
Pricing and costing mechanism	Lump Sum	Prices will be quoted based on functional and technical specifications
Supplier Relationship	Collaborative	Parties in the contracts will need to be interdependent for mutually fruitful and beneficial relationship.
Price Adjustments	None, fixed price	The contracts are expected to be of less than 18 months duration and therefore, fixed.
Form of Contract (Terms and Conditions)	None- WB SPD Contract Conditions applicable	The standard contract template agreed with the Bank will be used.
Selection Method	Requests for Bids (RFB)	No consulting services; therefore, less complex selection method will be used.
Selection Arrangement	None	Not required.
Market Approach	<u>Type of Competition</u> Limited International  <u>Number of Envelopes/Stages</u>	Because of an inadequate national market to execute such specialised relatively high value, high risk, contract, limited, International competitions and Single Stage One Envelope will be used to achieve value for money



Attribute	Selected arrangement	Justification Summary/Logic
	Single Envelope, One stage	
<b>Pre / Post Qualification</b>	Post-Qualification	Because limited market approach will be used.
<b>Evaluation Selection Method</b>	Most Advantageous Bid	Qualified and substantially responsive to the request for bids and the highest ranked Bid
<b>Evaluation of Costs</b>	Evaluated Bid Price	Lowest evaluated cost which is ranked first after meeting functional, technical and commercial requirements
<b>Domestic Preference</b>	No	No advantage to nationals as there is no adequate national market
<b>Rated Criteria</b>	None	None

**Table 12: Procurement Arrangements for Low Value Risk Activities (US\$)**

Contract	Category	Estimated Cost US\$	Procurement Approach and Method
<b>Ministry of Finance and Developmental Planning (MFDP) – Project Management Unit (PMU) (Procurement Activities for: PMU, LICPA, RTPD, Budget Department, Expenditure Monitoring, Parliament, CAG, IAA, and FMTP)</b>			
<b>Project Management Unit (PMU, MFDP)</b>			
Technical Focal Person Revenue-DMFA Office	Consulting Services	81,000.00	Direct Selection
Technical Focal Person Expenditure-DMFA Office	Consulting Services	81,000.00	Direct Selection
International IFMIS Advisor	Consulting Services	180,000.00	Open, International, IC
International Procurement Specialist	Consulting Services	180,000.00	Open, International, IC
National Procurement Specialist	Consulting Services	80,000.00	Open, National, IC
Administrative Assistant for the PMU	Consulting Services	24,000.00	Direct Selection
NSA Coordinator	Consulting Services	108,000.00	Direct Selection
NSA Grant Finance Officer	Consulting Services	54,000.00	Direct Selection
Procure one vehicle for PMU	Goods	30,000.00	Limited, RFQ
Procure 5 laptops,3 desktops and one printer and Cartridges for PMU	Goods	15,000.00	Limited, RFQ
Procure office furniture (Four office chairs and three desks)	Goods	3,500.00	Limited, RFQ
<b>Liberia Institute of Certified Public Accountants (LICPA)</b>			
Procurement of 2 industrial printers for printing exam materials	Goods	20,000.00	Limited, RFQ



<b>Contract</b>	<b>Category</b>	<b>Estimated Cost US\$</b>	<b>Procurement Approach and Method</b>
TA to strengthen examination, membership and student services for the professional paper	Consulting Services	120,000.00	Open, IC
Consulting services to develop e-books for professional papers	Consulting Services	50,000.00	Open, IC
Consultant to strengthen the LICPA Secretariat and Syllabi Integration Program	Consulting Services	80,000.00	Open, IC
<b>Internal Audit Agency (IAA)</b>			
Consulting services to carryout gap analysis of the current PENTANA	Consulting Services	20,000.00	Open, IC
Implement recommendations from the gap analysis	Consulting Services	75,000.00	Open, IC
Procurement of CAAT software	Goods	50,000.00	Limited, RFQ
<b>Budget Department (MFDP)</b>			
Consulting services to update, provide training on, and print the MTEF manual	Consulting Services	25,000.00	Open, IC
TA to build the capacity of the national coordination GRPB Unit for the training of policy-makers, planners, and budgeting institutions within MACs	Consulting Services	100,000.00	
<b>Expenditure Monitoring (MFDP)</b>			
Procurement of 5 tablets and 3 laptops for PETS	Goods	5,500.00	Limited, RFQ
Procurement of STATA for PETS	Goods	5,400.00	Limited, RFQ
Hiring of a Database Administrator for PETS	Consulting Services	4,000.00	Open, IC
Hiring of an Individual Consultant to provide support for software usage for PETS	Consulting Services	5,000.00	Open, IC
Procurement of 1 vehicle for project monitoring for PETS	Goods	30,000.00	Limited, RFQ
<b>Non- State Actors Secretariat (MFDP)</b>			
Procurement of 1 laptop, MFP printer, projector and camera, etc.	Goods	3,000.00	Limited, RFQ
<b>PARLIAMENT – PAC</b>			
TA for developing a toolkit to review audits	Consulting Services	20,000.00	Open, IC
TA to train the PAC Secretariat on the use of Dragon software for translation of transcript to be used by PAC on audit analysis	Consulting Services	28,000.00	Open, IC
<b>CAG – IFMIS</b>			
Procurement of 90 desktops/laptops/ups and 9 printers for IFMIS rollout	Goods	50,000.00	Open, IC
IFMIS connectivity, SLA for Data Center and Battery Bank	Non-consulting Services	100,000.00	Direct Selection
Activation of additional IFMIS modules (particularly cash management and budget modules)	Consulting Services	150,000.00	Direct Selection
LAN for IFMIS	Non-consulting Services	10,500.00	Limited, RFQ





<b>Contract</b>	<b>Category</b>	<b>Estimated Cost US\$</b>	<b>Procurement Approach and Method</b>
<b>Institutional Capacity Building (University of Liberia)</b>			
Procurement of 10 doors, 200 chairs, overhead projectors, speaker stand and 10 air conditioners	Goods	100,000.00	Open, National, Single Stage, One Envelope
Procurement of resource materials (text books, desktops, printers/scanners, power backups, and video conference facility)	Goods	110,000.00	Open, National, Single Stage, One Envelope
TA for Capacity building in PMS/support staff	Consulting Services	2,000.00	Open, IC
TA for FM Faculty capacity building	Consulting Services	15,000.00	Open, IC
TA (2) for institutional support	Consulting Services	60,000.00	Open, IC
<b>General Auditing Commission (GAC)</b>			
Hiring of long-term performance audit consultant	Consulting Services	108,000.00	Open, IC
Laptops, vehicles, and other necessary materials to reduce audit backlog	Goods	360,000.00	Limited, RFQ
Procurement of 2 vehicles to perform audits	Goods	60,000.00	Limited, RFQ
TA for compliance audit of gender responsive budgeting	Consulting Services	30,000.00	Open, IC
Upgrade/Replacement of Battery Bank, ICT equipment	Non-consulting Services	60,000.00	Limited, RFQ
Hiring of external audit to audit GAC	Consulting Services	82,000.00	Open, IC
<b>Public Procurement and Concessions Commission (PPCC)</b>			
Develop BPR, Functional and Technical Specifications and Blueprint/roadmap for eProcurement development	Consulting Services	150,000.00	Open/ CQS
Hiring of an Individual Consultant to review the Public Procurement and Concessions Act	Consulting Services	80,000.00	Limited, International, INDV
<b>Revenue and Tax Policy Division (RTPD)</b>			
Printing of brochure on fees structure for publicity	Goods	10,000.00	Limited, RFQ
Procurement of 5 Laptops, 20 desktops, 1 printer, & 1 projector with screen	Goods	10,000.00	Limited, RFQ
TA for Validation of VAT White Paper, Law, and Migration Paper	Consulting Services	50,000.00	Open, CQS
TA for Training to RTPD and LRA staff	Consulting Services	250,000.00	Open, International, QCBS
<b>Liberia Revenue Authority (LRA)</b>			
Desktop computers and laptops to improve staff efficiency	Goods	60,000.00	Limited, RFQ
TA to provide support for system stability (SIGTAS) now that new system will not be procured 2nd Year	Consulting Services	76,300.00	Direct Selection



Contract	Category	Estimated Cost US\$	Procurement Approach and Method
TA (DBA) to provide support to SIGTAS stability now that new system will not be acquired 2nd year	Consulting Services	84,500.00	Direct Selection
TA to provide National Counterpart support for system stability (SIGTAS) and Project Management for the Implementation of the ITAS Project	Consulting Services	116,660.00	Direct Selection
Provide the necessary infrastructure (hardware-data storage, network & communication devices-, licenses, etc) to secure stability of SIGTAS	Goods	442,063.00	Open, International, QCBS
Provide Infrastructure and Logistics for roll out of ASYCUDA (Centralized Assessment)	Non-Consulting Services	150,000.00	Open, National, Single Stage, One Envelope Limited RFQ
Provision for Training and Change Management for roll out of ASYCUDA (Centralized Assessment)	Goods	50,000.00	Limited, RFQ

Note: IC: International Competition; RFQ: Request for Quotations; INDV: Individual; CQS: Consultants' Qualifications; QCBS: Quality and Cost-Based Selection.

51. **Procurement Thresholds:** Table 13 depicts the Thresholds and Procurement Methods to be used under the Project which has a risk rating of Substantial:

**Table 13: Prior-Review Thresholds**

Prior-review Thresholds		Thresholds for Procurement Methods							
Procurement Type	Substantial Risk (\$'000)	Works			Goods, IT & Non-Consulting Services			Shortlist of National Consultants	
Works	10,000	Open International or ICB (\$'000)	Open National or NCB (\$'000)	Request for Quotation or National Shopping (\$'000)	Open international or ICB (\$'000)	Open National or NCB (\$'000)	Request for Quotation or National Shopping (\$'000)	Consulting Services (\$'000)	Engineering & Construction Supervision (\$'000)
Goods, IT & Non-Consulting Services	2,000	≥	<	≥	≥	<	≥	<	≥
Consultants (Firms)	1,000	5,000	5,000	200	500	500	100	100	200
Individual Consultants	300								

\*These thresholds are for the purposes of the initial procurement plan for the first 18 months. The thresholds will be revised periodically.

52. **Procurement Plan.** Procuring entities have prepared Procurement Plans for their various components under the project, based on the findings and recommendations of the PPSP. These Procurement Plans are subject to public disclosure and will be updated annually or as needed by including contracts previously awarded and to be procured. The updates or modifications of the Procurement Plans shall be subject to the World Bank's prior review and 'no-objection'. Following project approval by the Board, the World Bank shall arrange for the



publication of the Procurement Plans and their updates on the World Bank's external website directly from STEP, while procuring entities will do the publication on their project on the e-mansion.

53. **Monitoring by STEP.** Through mandatory use of STEP by the borrowing agencies, the World Bank will be able to consolidate procurement/contract data for monitoring and tracking of all procurement transactions. Using STEP, comprehensive information of all prior and post review contracts for goods, works, technical services, and consultants' services awarded under the whole project will be available automatically and systematically on real-time basis whenever required, including, but not limited to, (a) the reference number as indicated in the Procurement Plan and a brief description of the contract; (b) the estimated cost; (c) the procurement method; (d) time lines of the bidding process, (e) the number of participated bidders; (f) names of rejected bidders and reasons for rejection; (g) the date of contract award; (h) the name of the awarded supplier, contractor, or consultant; (i) the final contract value; and (j) the contractual implementation period.

54. **Publication of procurement information.** The project will follow the World Bank's policies on publication of procurement information that are set forth in the World Bank's Procurement Regulations.

55. **Procurement post review.** Contracts below the abovementioned prior review thresholds shall be subject to post review according to procedures set forth in World Bank Procurement Regulations annually by the World Bank team. The rate of post review is initially set at 20 percent. This rate may be adjusted periodically based on the performance of the procuring entities.

56. **Training, workshops, study tours, and conferences.** Training activities would comprise workshops and training, based on individual needs, as well as group requirements, on-the-job training, and hiring of consultants for developing training materials and conducting trainings. Selection of consultants for training services follows the requirements for selection of consultants above. All training and workshop activities (other than consulting services) would be carried out on the basis of approved annual work plans/training plans that would identify the general framework of training activities for the year, including (a) the type of training or workshop; (b) the personnel to be trained; (c) the institutions which would conduct the training and reason for selection of this particular institution; (d) the justification for the training, focusing on how it would lead to effective performance and implementation of the project; (e) the duration of the proposed training; and (f) the cost estimate of the training. A report by the trainee(s), including completion certificate/diploma upon completion of training, shall be provided to the project coordinator and will be kept as part of the records and will be shared with the World Bank if required.

57. **Operational costs.** Operational costs financed by the project would be incremental expenses, including office supplies, operation and maintenance of vehicles, maintenance of equipment, communication, rental expenses, utilities, consumables, transport and accommodation, per diem, supervision, and salaries of locally contracted support staff. Such services' needs will be procured using the procurement procedures specified in the PIM accepted and approved by the World Bank.

58. **Procurement manual.** Procurement arrangements, roles and responsibilities, methods, and requirements for carrying out procurement shall be elaborated in detail in the procurement manual which will be a section of the PIM. The PIM shall be prepared by the borrower and agreed with the World Bank by the time of project effectiveness.

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## **Environmental and Social (including safeguards)**



59. **The proposed project is expected to have positive social impact through increased public confidence in the GoL's management of public funds and delivery of public services in a more transparent and accountable manner.** Furthermore, citizen feedback has been built into the project's Results Framework through an intermediate indicator that tracks the level of citizen participation in annual budget discussions. No social safeguards policy has been triggered.

60. **The project has been classified as environmental Category C.** The proposed project consists of TA activities, as well as the provision and installation of IT equipment. It will not finance any civil works, nor will there be any design or feasibility studies of future infrastructure. As such, there are no foreseen negative impacts on the physical environment and no environmental safeguards policies have been triggered.

### **Monitoring and Evaluation**

61. **The PMU will, under the ambit of an M&E framework established for the PFM reform strategy, establish a system that ensures that progress and impact of the reforms and overall strategy are routinely monitored and ensure that the key stakeholders' groups are well-informed on the conclusions reached.** The PMU will prepare their reports as outlined in the following paragraphs.

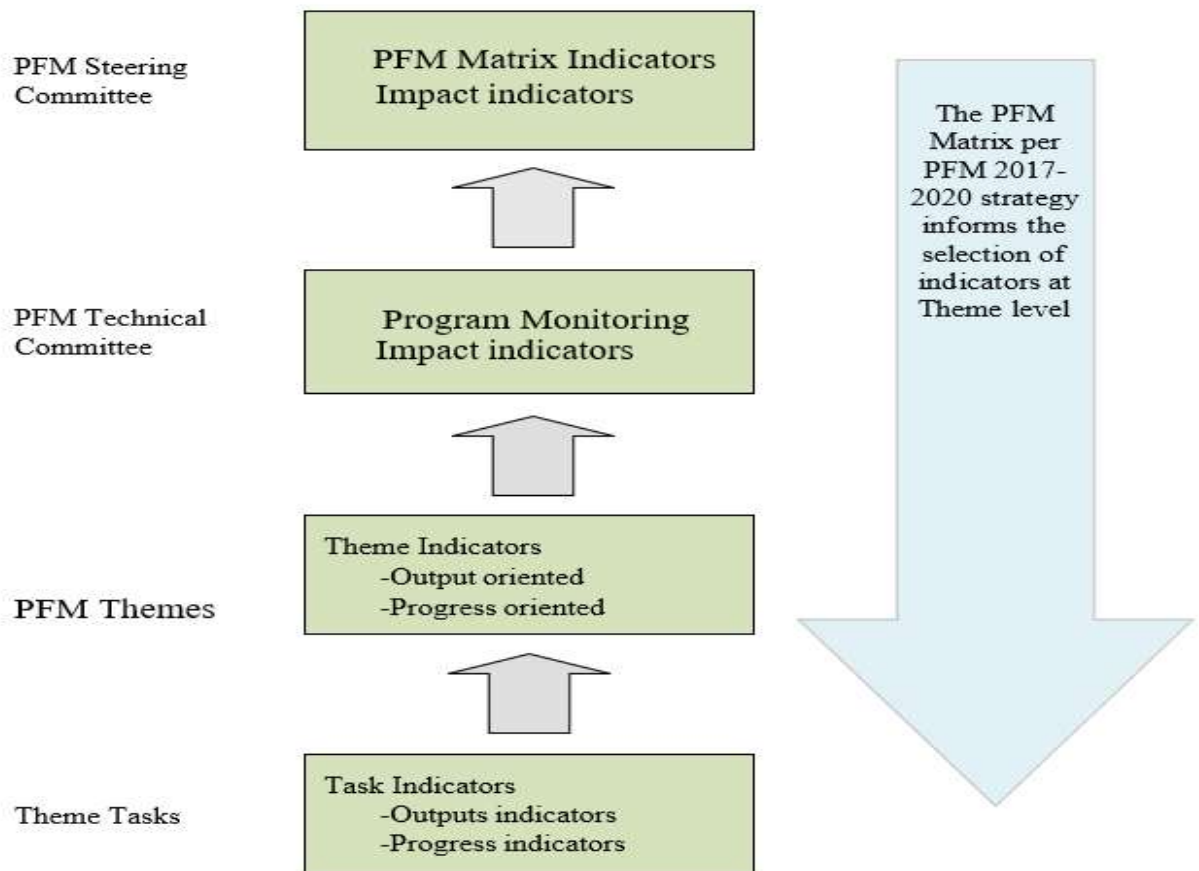
62. **The PMU shall prepare quarterly reports to be shared at the quarterly PFMRSR meetings.** The focus of these reports will be key performance indicators for each component linked to what is outlined in the Results Framework in Section VI. While most, but not all, will be outcome related, there will be a need to focus on the degree of measurability. Therefore, there will be a need to focus on reporting against selected targets and ensuring consistency through each quarterly period.

63. **For operational and project management purposes, there will be a need to inform the PFM Technical Committee on a monthly basis so that progress can be tracked and course corrections undertaken.** Such reports should focus on exceptions where targets have not been achieved and an analysis of the reasons for exceptions and recommendations for course correction to capitalize on early achievements or rectify issues causing the failure to achieve a target on time. The reports should provide an analysis of issues relating to coordination of efforts between stakeholder groups and recommendations to improve coordination wherever necessary.

64. Figure 5 below depicts the framework for monitoring program implementation at different levels.



Figure 5: Framework for Monitoring Program Implementation



65. Indicators at all levels shall be closely monitored by the Project implementation team and the state of PFM reforms being implemented reported to the RCU. Each PFM indicator in the Matrix will also be an indicator for at least one Task within a Theme. PFM Matrix references will be used to track indicators across the monitoring frame at theme level.

### Strategy and Approach for Implementation Support

66. The Implementation Support Plan for the project, which is a living document, has been developed based on specific project activities, current capacity of the implementing agency, political context of the country, lessons learned from past PFM and public sector reform operations in the country and the region, and the project's risk profile in accordance with the Systematic Operations Risk-Rating Tool (SORT). This Implementation Support Plan reflects the assessment conducted by the World Bank during project appraisal, which built on lessons learned from several years of the World Bank's PFM reform engagement in Africa.

67. Implementation support missions, including field visits, would concentrate on the following areas:



- **Enhanced TA.** Implementation support missions will concentrate on the overall implementation of project activities, at all levels and with all beneficiaries. TA will also be given to the respective ministries to enhance monitoring and evaluation systems that enable them collect underpinning adequate data for purposes of DLI verification such that it can be consolidated for purposes of verification. Random field visits will verify compliance with the approved PIM. In addition, enhanced TA will be required on CSO engagement and support, communications, and M&E. The World Bank team will facilitate knowledge exchange and mobilize appropriate global expertise, as needed. The team will provide support to the design, development, and implementation of the communication strategy for the targeted project beneficiaries, the general public, and internal and external clients. An M&E specialist will provide regular TA and oversight of data collection and ensure effective flow of information between the multiple participants involved in service delivery.
- **Client relations.** The Task Team Leader (TTL) will (a) coordinate the overall World Bank implementation support to ensure consistent project implementation, as specified in the legal documents (that is, Financing Agreement, PIM, and so on) and (b) meet regularly with the client's senior representatives to gauge project progress in achieving the PDO and address implementation bottlenecks, as they arise. In addition, the TTL will ensure regular exchanges of information with other key donors supporting activities related to the PFM reform processes, as well as bilateral, multilateral partners, and UN agencies.
- **Safeguards.** Although the project is not anticipating any negative environmental and social impact and the project is categorized as Category C, the task team will seek advice from environmental and social safeguards specialists on critical issues that may arise during project implementation. The task team will also follow up on any safeguards' issues through regular implementation support missions, during which document reviews, site visits and spot-checks will be conducted.
- **Midterm Review.** The review will be carried out within two years of project implementation (no later than November 30, 2021). In preparation for the midterm review, an independent review of implementation progress will be carried out, including audits. The audit will include an IT audit of all systems being supported by the project so that the Results will provide input to any potential project revisions or restructuring, at the time. The IT audit results will also provide inputs to further updates of an IFMIS strategy. The midterm review will cover, among others, review of the Results Framework, SORT, country ownership, stakeholder participation, FM, procurement processing, and sustainability aspects.

### Implementation Support Plan and Resource Requirements

68. The World Bank team will provide regular technical supervision and hands-on assistance. It will be focused on proactively identifying and resolving threats to the achievement of the PDO. These supervision missions will be conducted with the support of various specialized technical experts, and jointly with the Government and other development partners. This will help create a dynamic environment for the project, promoting the sharing and implementation of good practices and initiatives. During the first year of the project implementation, regular TA missions will take place to support the client in initiating activities, given the complex nature of the project. The volume of support is expected to be high throughout project implementation. Implementation support will be advisory in nature to ensure that project ownership remains with the implementing agency, thereby, ensuring reform sustainability and the internal capacity strengthening. An Implementation Support Plan is provided below,



including required skills mix.

69. The World Bank task team requires a Work Program Allocation to provide implementation support and TA to the project, particularly in light of risks associated and complexities surrounding various activities. Table 14 details the extent and type of World Bank support needed to ensure implementation of the project; Table 15 presents an estimate of the skills mix and amount of staff support needed.

**Table 14: Main Focus in Terms of Support to Implementation**

Time	Focus	Skills Needed	Resource Estimate	Partner Role
First 12 months	Project management and team leadership	Knowledge of World Bank operation policy/World Bank policy and experience in supervising lending operations	12 weeks 4 missions	Partners will participate in technical discussions and supervision
	Operational support	Drafting terms of reference, plans and budgets, reporting, and general project management skills	12 weeks	
	Procurement	World Bank operation policy/World Bank policy on procurement	4 weeks	
	FM	World Bank operation policy/World Bank policy on FM; identification of any potential problems early in the life of the project	6 weeks	
12–48 months	Project management and team leadership	Knowledge of World Bank operation policy/World Bank policy and experience in supervising lending operations	8 weeks 2 missions	Partners will participate in technical discussions and supervision
	Operational support	Drafting terms of reference, concept notes, plans and budgets, reporting, and general project management skills	8 weeks	
	Procurement	World Bank operation policy/World Bank policy on procurement	4 weeks	
	FM	World Bank operation policy/World Bank policy on FM	4 weeks	

**Table 15: Skills Mix Required**

Skills Needed	Number of Staff Weeks	Number of Trips	Comments
Task team leaders	24	12	Accra- and Monrovia-based
Operational support	16	8	Regional
Tax specialist	8	4	Regional



IFMIS specialist	8	4	Regional
Public sector specialist	8	4	Regional
Procurement specialist	8	—	Country office based
Financial management specialist	8	—	Country Office





ANNEX 2: DLI Disbursement and Verification Protocol

1. The selection and structuring of the DLIs was jointly carried out between the Ministries of Education and Health and the World Bank team during preparation. The selection was driven by desired outcomes and outputs of lessening PFM foundational bottlenecks within the two core sectors. The selection of the DLIs serve the role of signaling and monitoring critical milestones along the planned results chain. The selection also took into account key practical aspects of measuring, monitoring, and verifying the results; considering the capacity of the respective ministries and country context.

2. The DLIs are key actions that aim to address specific constraints that impede service delivery. The financing amounts allocated to each were based on relative importance of the indicator to provide the requisite incentive needed for achieving overall project goals and outcomes. These DLIs do not have specific achievement dates during the specific year, giving the two ministries the flexibility to achieve them at any time. The DLIs, however, can only be rolled over for a maximum of one year.

3. The selection of the DLIs for the project has taken into consideration the practical aspects of measuring, monitoring, and verifying achievement of the results. The chosen DLIs are clearly defined and measurable, with clear protocols for monitoring (see Table 16; greater detail will be specified in the PIM). The DLIs are structured, taking into account the country’s context and borrower capacity — and whether it is feasible to achieve the results selected as DLIs during the implementation period. The DLIs are not premised on outcomes; neither are they intermediate outcomes or outputs. Rather they are process indicators that address specific risks or constraints to achieving the improved service delivery. Ultimately, these are driven by the desired outputs and outcomes of the key programs being run in the two sectors. The absolute number of DLI-anchored intermediate outcomes aim to ensure that they are the main milestones that are considered critical to: (a) keeping the key sectoral programs, including efficiency and effectiveness, on track; and (b) ensuring that agreed upon improvements and mitigation measures are carried out. They have been selected to ensure that they are practical and manageable.

Table 16: Preliminary DLI Verifications Protocol

No.	Disbursement Linked Indicator	Measurement protocol	Objective and detailed definition of what is required to meet the DLI	Definition of data source to measure DLI achievement/ Reporting Frequency	Baseline data and expected timing	Verification agency
1.a	Increase the percentage of County Facility Level submission of financial reports to MoH within ten (10) working days of the end of each quarter	Verification of submission of financial reports to MFDP	To encourage and ensure timely financial reporting at the sectoral level	MoH financial reports reconciled with MFDP figures on dates of submission	• 7; annual	IVA
1.b	Increase the percentage of the				• 10; annual	



No.	Disbursement Linked Indicator	Measurement protocol	Objective and detailed definition of what is required to meet the DLI	Definition of data source to measure DLI achievement/ Reporting Frequency	Baseline data and expected timing	Verification agency
	County Health Team’s level submission of financial reports to MoH within ten working days of the end of each quarter					
2.	Increase in Percentage of MoH units that are Participating in Planning and Budgeting Processes	Headcount of number of MoH departments and units convened to participate in planning and budgeting processes	To increase the effectiveness of sectoral budgeting, cash reserves, and service delivery	MoH registry	9% (to be reset to 0 each consecutive year); annual	IVA
3.	% of relevant departments and units of MoH participating in planning and budgeting processes	Spot check of personnel database based on administrative data from randomly selected schools	MoE personnel files contains accurate and reliable data with which to reconcile payroll data	MoE personnel database, school administrative data	MoE HR Database has not been checked and reconciled through verification of HR personnel records at the public schools; annual	IVA
4.	Improved Personnel Management of the education sector to improve teachers monitoring	Check for existence of functioning PAN tracker and development of quarterly payroll data analyses	MoE conducts regular data analysis on quarterly payroll payments	MoE personnel database	No automated reconciliation between HR databases for MoE; CSA and the respective public schools; annual	IVA

Note: CSA=Civil Service Authority; IVA= independent verification agent; MoE= Ministry of Education.

4. **As targets are achieved, the World Bank will disburse funds to the GoL against the Eligible Expenditure Program (EEP) budget lines listed in Table 1.** Rollovers of the DLIs in the project are limited to one year. The two budget lines have been identified by the project to supplement the GoL budget on the basis that they are currently not adequate to deliver the package of primary services under their ambit. In the MoE, the human resources unit has a list of 1,527 teachers that qualify for retirement. If the average salaries of these are taken at US\$2,000 per year, this would amount to over US\$3,000,000 per year spent on teachers who should not be in the classroom,



and who are not showing up to teach regularly. Supplementing the budget lines will enable the MoE to pay these almost retired teachers off and ensure a cleaner payroll. The MoH budget lines have been selected because the sector has inadequate staff to deliver the services.

**Table 17: Eligible Expenditure Program (EEP)**

Name of Selected Entity	Code/Chart of Accounts	Budget Lines
MoE	3011000/1/01/001/000000/074900/0980/0000/211101	Compensation of Employees • Basic Salary – Civil Service
MoH	3100100/1/01/001/000000/050300/0721/0000/211101 3100100/1/01/001/000000/050300/0731/0000/211101 3100400/1/01/001/000000/050400/0760/0000/211101 3100500/1/01/001/000000/050400/0760/0000/211101 3100600/1/01/001/000000/054900/0760/0000/211101	Compensation of Employees • Basic Salary – Civil Service

5. **The disbursement of DLI-related financing will be made at the request of the GoL upon achievement of DLIs as specified in the body text.** The World Bank’s task team will routinely monitor the GoL’s progress toward DLI achievement, including Component 4 progress reports and the earlier described verification protocol. When a DLI is achieved, in full or partially, the PMU team will inform the task team and provide evidence according to the verification protocol. This will serve as justification that the DLI has been achieved. The task team will review the documentation submitted and may request any additional information considered necessary to verify the achievement of the DLI.

6. **Disbursement requests will be submitted to the World Bank using the World Bank’s standard disbursement form, signed by an authorized signatory of the GoL.** The requisite withdrawal applications will be submitted electronically using the e-disbursement functionality in Client Connection. Once disbursed to the respective Ministries, these funds will be ring-fenced to ensure that they meet the expenditure eligibility criteria for which they are to be used in each of the ministries. The aggregate disbursements under the operation will not exceed the total expenditures over the implementation period. Rollovers of the DLIs in the project are limited to one year. Table 18 details the periods per DLI, evaluation periods, and disbursements; Table 19 details the categories of eligible expenditures.

**Table 18 Project Evaluation and Disbursements**

Project Evaluation and Disbursements	Year 1 (FY2020)	Year 2 (FY2021)	Year 3 (FY2022)	Year 4 (FY2023)
Period being Evaluated	July 2019- June 2020	July 2022- June 2021	July 2021- June 2022	July 2022- June 2023
Evaluation Period	July- September 2020	July- September 2021	July- September 2022	July- September 2023
Disbursement	October 2020	October 2021	October 2022	October 2023
Disbursement amount	US\$250,000 per DLI	US\$250,000 per DLI	US\$250,000 per DLI	US\$250,000 per DLI



Table 19: Categories of Eligible Expenditures

Category	Amount of the Grant Allocated (expressed in US\$)	Percentage of Expenditures to be Financed (inclusive of Taxes)
DLI 1	1,000,000	100% up to the DLI amount
DLI 2	1,000,000	100% up to the DLI amount
DLI 3	1,000,000	100% up to the DLI amount
DLI 4	1,000,000	100% up to the DLI amount
<b>Total amount</b>	<b>4,000,000</b>	

7. **The achievements from each fiscal year (July 1–June 30) will be verified within three months after the end of the fiscal year.** No additional disbursements will be made for exceeding the annual targets. Where achievement of a DLI target cannot be verified, the amount for that trigger will be withheld. It will be paid only when such an achievement can be verified in accordance with the Grant Agreement. The fifth year of the project would be the final date to claim disbursements, and all would have to be settled by October 31, 2024.

8. **An independent verification agent (IVA) will be recruited with three months of project effectiveness to review the achievements and evidence (for example, by conducting school visits) provided by the Government’s information systems.** As such, the drafting of Terms of Reference for the IVA should be submitted to the bank within one month of project effectiveness. Potential IVAs could include the General Audit Commission (GAC), autonomous universities, reputable non-governmental organizations (NGOs), DPs, or private consulting firms. The IVA will also be tasked with the responsibility to report on structural challenges preventing the DLI from being met.

9. **The annual verification process will follow a series of steps, including reporting by the GoL on the achievement of targets to the LEG, the Disbursement Unit of the World Bank, as well as the provision of relevant documents and data.** An Interim EEP report by the PDT is submitted to the World Bank’s Systematic Tracking of Exchanges in Procurement (STEP), leading to disbursement against DLIs. It will be sequenced as follows:

- Review of the achievement of targets for all DLIs by an IVA contracted to undertake the review, and submission of an Independent Verification Report (IVR) to the MoE;
- Review of the IVA report and submission to the World Bank;
- Review of the IVA report by the World Bank, as the grant agent (GA), and requests for clarifications/revisions if needed;
- Certification by the World Bank, as the GA, based on the IVR; and
- Disbursement of the financial tranche associated with the achieved DLI milestone.



**ANNEX 3. Summary of Results Chain**

Long-term Outcomes	Medium/Short-term Outcomes	Key Outputs	Activities	Inputs
<b>Component 1: Enhancing DRM Sources and Systems</b>				
<b>1.1: Improve Tax Policy</b>  <b>PDO Indicator 1:</b> ITAS Online, on time, large and medium taxpayer filing ratio for income tax, excise tax, and GST	Expanded tax base through preparation of a VAT regime, applicable on wider scope of goods and services than the GST	<ul style="list-style-type: none"> <li>Analytical work and knowledge to support transition from VAT to GST available.</li> <li>Tax policy analysis capacity of RTPD and LRA developed.</li> </ul>	<ul style="list-style-type: none"> <li>Develop and prepare to introduce new tax policy measures, including a VAT regime</li> <li>Support for and training to RTPD and LRA</li> <li>Validation of VAT White Paper, Law and Migration Strategy</li> </ul>	<ul style="list-style-type: none"> <li>TA</li> <li>Software</li> <li>Logistical support</li> </ul>
<b>1.2: Capacity Development and Strengthening the Technical Basis of Administration</b>	The GoL's tax collection system is strengthened and modernized.  <b>Intermediate Indicator 1:</b> Online ITAS Filing Services available	<ul style="list-style-type: none"> <li>SIGTAS system stability secured</li> <li>Fit for purpose ITAS implemented with a Payment gateway to reconcile and report revenues to the Government through IFMIS exists</li> <li>Business offices equipped with desktop computing ability</li> </ul>	<ul style="list-style-type: none"> <li>Reviewing internal processes in preparation for ITAS</li> <li>Secure interim stability of SIGTAS</li> <li>Improve hardware and connectivity</li> <li>Develop a fit for purpose ITAS with a payment gateway which captures revenue collected from SIGTAS, ASYCUDA, and other systems and interface this with IFMIS</li> <li>Roll out of ASYCUDA and upgrade of tax business offices</li> </ul>	<ul style="list-style-type: none"> <li>TA</li> <li>Software</li> <li>Logistical support</li> <li>Hardware</li> </ul>
<b>Component 2: Stabilizing and Strengthening Performance of Financial Controls and Systems</b>				
<b>2.1: IFMIS Improvement and Rollout Support</b>  <b>PDO Indicator 2:</b> MACs submitting to CAG quarterly financial statements using IFMIS data in a timely	IFMIS is further rolled out, existing functionality is stabilized, and usage for financial and fiscal reporting is increased.	<ul style="list-style-type: none"> <li>IFMIS rolled out to all MACs</li> <li>EDMS implemented</li> <li>Capacity of FM officers built</li> </ul>	<ul style="list-style-type: none"> <li>Enhance and expand IFMIS functionalities</li> <li>EDMS implementation</li> <li>Roll out the IFMIS to remaining 57 MACs and 10 counties</li> </ul>	<ul style="list-style-type: none"> <li>TA</li> <li>Equipment</li> <li>Software</li> <li>Logistical support</li> </ul>



Long-term Outcomes	Medium/Short-term Outcomes	Key Outputs	Activities	Inputs
fashion (within 15 working days from end of quarter) (Percentage)	<p><b>Intermediate Indicator 2:</b> IFMIS launched in 35 additional MACs</p> <p><b>Intermediate Sub-Indicator 2:</b> Number of MACs using the CSM</p>	<ul style="list-style-type: none"> <li>• IFMIS Budget Module interfaced with Financial Accountability Suite</li> <li>• IFMIS interfaced with ITAS, ASYCUDA aid management system, and debt management system</li> <li>• Recurrent payments of GoL are automated and integrated</li> <li>• EFT implemented</li> </ul>	<ul style="list-style-type: none"> <li>• Provide technical support to MACs on using system data for enhanced decision making</li> <li>• Training of IFMIS process transaction training for MACs</li> <li>• Develop an IFMIS help desk</li> <li>• Activate Budget Module and integrate with the IFMIS financial accountability suite</li> <li>• Interface IFMIS with ITAS, ASYCUDA, the aid information management system, and the debt management platform</li> <li>• EFT implementation</li> </ul>	
<b>2.2: Enhancing the Budget Framework</b>	IFMIS Budget Module is being used, higher-quality MTEFs being used by the GoL, and gender budgeting mainstreamed.	<ul style="list-style-type: none"> <li>• MTEFs prepared</li> <li>• National budgets in which women and men benefit equitably begin to be passed</li> </ul>	<ul style="list-style-type: none"> <li>• Supporting preparation of the MTEF, including updating of MTEF manual</li> <li>• Support implementation and capacity building on gender responsive planning and budgeting.</li> </ul>	<ul style="list-style-type: none"> <li>• TA</li> <li>• Software</li> <li>• Logistical support</li> </ul>
<b>2.3: Preparing for modernization of Procurement Systems in the Public Sector</b>	<p>The efficiency and oversight of public procurement is improved through the establishment of an e-Procurement system.</p> <p><b>Intermediate Indicator 3:</b> e-Procurement modernization roadmap developed</p>	<ul style="list-style-type: none"> <li>• Government knows how to begin reform and modernization of Public Procurement</li> </ul>	<ul style="list-style-type: none"> <li>• Review and redesign existing procurement processes and possible amendments to 2010 Public Procurement Act</li> <li>• Developing a road-map towards an integrated e-Procurement system</li> </ul>	<ul style="list-style-type: none"> <li>• TA</li> </ul>
<b>2.4 Open Data</b>	Greater transparency around GoL budget and fiscal data allows for enhanced accountability in the	<ul style="list-style-type: none"> <li>• MFD data available in open format for data sharing among MACs and external scrutiny</li> </ul>	<ul style="list-style-type: none"> <li>• Collate, digitize, and release existing development data</li> <li>• Design open data portal based on user demand</li> </ul>	<ul style="list-style-type: none"> <li>• TA</li> <li>• Equipment</li> </ul>



Long-term Outcomes	Medium/Short-term Outcomes	Key Outputs	Activities	Inputs
	allocation and use of public resources	<ul style="list-style-type: none"> <li>Improved management and sharing of MFD data</li> </ul>	<ul style="list-style-type: none"> <li>Data literacy skills workshops for supply- and demand-side actors</li> </ul>	
<b>Component 3: Improving Public-Sector Capacity for Enhanced Oversight and Accountability</b>				
<p><b>3.1: Improving Parliamentary, Internal, and External Oversight Effectiveness</b></p> <p><b>PDO Indicator 3:</b> Frequency of PAC follow-up through GAC on implementation of annual performance audit observations and recommendations.</p>	<p>Capacity of the GoL's legislature is enhanced, internal and external audit capacity improved, and ability of citizens to access Government information and participate in policy discussions increased</p> <p><b>Intermediate Indicator 4:</b> Number of MACs and government policies/programs subject to Performance Audit</p> <p><b>Intermediate Indicator 5:</b> Number of citizens and CSO representatives that participate in annual budget discussions and are updated on the implementation of the year prior's citizen recommendations to budget</p>	<ul style="list-style-type: none"> <li>Risk registers established in MACs</li> <li>Internal Audit Committees established, manned, and running</li> <li>CAATs procured and put to use</li> <li>Administration of parliamentary committees tasked with scrutinizing the budget and the audit reports professionalized</li> <li>Capacity of CSOs and media institutions strengthened to be able to hold the Government accountable</li> <li>Information officers trained in Freedom of Information Act</li> <li>Citizen participation in budget discussions institutionalized</li> </ul>	<ul style="list-style-type: none"> <li>Procure TA for post-implementation review of PENTANA and follow through on recommendations from review</li> <li>Develop and establish risk registers in MACs, including development and distribution of IAA manuals</li> <li>Professional training, training in IT audit skills and CAAT software</li> <li>Capacity building for performance and forensic audits</li> <li>Support to conduct compliance audits</li> <li>Logistical support to GAC</li> <li>Strengthen capacity of the national legislature to perform budget analysis and engage in analysis of audited public accounts</li> <li>Strengthen capacity of the PAC Secretariat to conduct public hearings on the county development funds in the counties</li> <li>Train PAC Secretariat on the use of speech-to-text software for translation of transcript to be used by PAC on audit analysis</li> <li>Strengthen the capacity of CSOs and media institutions to ensure</li> </ul>	<ul style="list-style-type: none"> <li>TA</li> <li>Software</li> <li>Logistical support</li> </ul>



Long-term Outcomes	Medium/Short-term Outcomes	Key Outputs	Activities	Inputs
		<ul style="list-style-type: none"> <li>• Technical and financial assistance to NSAs for external oversight</li> </ul>	<p>transparency and accountability in the use of public finances</p> <ul style="list-style-type: none"> <li>• Institutionalization of public participation in the budget process, as well socialization of the Freedom of Information Act</li> </ul>	
<b>3.2: Institutional Capacity Building</b>	The GoL’s ability to coordinate PFM reforms across the Government improved and civil service strengthened	<ul style="list-style-type: none"> <li>• PEFA conducted</li> <li>• New PFM Reform Strategy and Action Plan developed</li> <li>• RCU strengthened</li> <li>• MBA in Public Finance institutionalized with the UoL</li> <li>• Capacity of LICPA built</li> </ul>	<ul style="list-style-type: none"> <li>• Build capacity of the RCU to coordinate PFM reforms through training and long-term advisors</li> <li>• Support for reforms, including conducting a PEFA assessment and development of a new PFM Reform Strategy and Action Plan</li> <li>• Transition MBA in Public Finance to the UoL</li> <li>• Professionalize public procurement through vertical education in procurement, professional certification, licensing, and continuing professional development</li> <li>• Build capacity of the LICPA to provide training to the public sector</li> </ul>	<ul style="list-style-type: none"> <li>• TA</li> <li>• Logistical support</li> </ul>
<b>Component 4: Improving Upstream and Downstream PFM Systems in Selected Sectors</b>				
<b>4.1: Strengthening Foundations for Improved PFM Systems in the Health and Education Sectors</b>	Improved efficiency of expenditure in health and education through implementation of PETS recommendations and increased ability to remove ghost and retiring civil servants from payroll in a timely fashion	<ul style="list-style-type: none"> <li>• PETS recommendations on ways to improve expenditure in health and education sector</li> <li>• Streamlined and automated PAN and Form C</li> </ul>	<ul style="list-style-type: none"> <li>• Technical and financial support to conduct PETS in health and education</li> <li>• Design, piloting, and scaling up of e-PAN (which includes Form C)</li> </ul>	<ul style="list-style-type: none"> <li>• TA</li> <li>• Logistical support</li> </ul>





Long-term Outcomes	Medium/Short-term Outcomes	Key Outputs	Activities	Inputs
<p><b>4.2: Improving PFM Systems in the Health and Education Sectors</b></p>	<p>Service delivery is improved within the health and education sectors through the strengthening of their PFM enabling environments.</p> <p><b>DLI1:</b> Increase the percentage of (a) County Facility Level and (b) County Health Team Levels Submission of financial reports to MOH within ten (10) working days of the end of each quarter</p> <p><b>DLI2:</b> Increase in Percentage of MoH units that are Participating in Planning and Budgeting Processes</p> <p><b>DLI3:</b> MoE HR Database checked and reconciled through verification of HR personnel records at the public schools</p> <p><b>DLI4:</b> Improved Personnel Management of the education sector to improve teachers monitoring</p>	<ul style="list-style-type: none"> <li>• Improved financial management within the health sector</li> <li>• Improved participation in MoH planning and budgeting</li> <li>• Increased control over the MoE payroll</li> <li>• Improved monitoring of teacher absenteeism</li> <li>• Greater oversight in the use of sectoral funds</li> </ul>	<ul style="list-style-type: none"> <li>• Enhancing financial management at the sectoral level through greater coordination in health planning and greater timeliness of financial reporting</li> <li>• Digitizing and consolidating all education personnel and payroll data into one single database and validating and cleaning up data to facilitate transition to use of CSM software</li> <li>• Monitoring and tracking of teachers and education personnel using data collected by county and district education officers and CSM data to improve education service delivery</li> </ul>	<ul style="list-style-type: none"> <li>• TA</li> <li>• Logistical support</li> </ul>





#### **ANNEX 4: Enhanced Fiduciary Accountability Framework**

1. The growing focus on development results has made managing for results central to effective project implementation. It emphasizes the importance of reviewing progress towards results, clearly linking project interventions to desired project outcomes. Given this project will be implemented in an FCV environment where fiduciary issues can negatively impact the project results, the team has outlined a number of fiduciary control issues that if well implemented would render the required project effective and efficient.

2. A strengthened accountability framework has therefore been put in place to ensure orderly and effective management of project resources to help attain value for money as well as ensure clarity of roles and responsibilities of key stakeholders. The detailed responsibilities and clarity will ensure smooth and timely project implementation whose outputs will be directly linked to planned results and outcomes. The sub-components will be managed by the assigned or designated leaders who will also assume fiduciary responsibility at the component level. A project launch workshop will be organized to provide further details. In addition, the Bank's Integrity team will be invited to such a launch to train the staff to be directly involved in leading these project activities in spotting red flags for inappropriate usage of project funds.

3. The objectives of an enhanced accountability framework and strong internal control are to:

- Develop and implement a robust improvement in preparation and implementation of activities. By doing this, the arrangement will ensure that all stakeholders are involved in efficient management of project resources so that the set outcomes and impact for the various sub components are attained through the agreed upon project interventions;
- Develop clear accountabilities and processes which will lead to robust quality assurance, improved programming and target- setting and where necessary bring about systemic focused intervention before it is too late;
- Provide clarity on the governing principles that the project component leads will follow when approving all soft expenditures, including allowances, per diems and procurement-related activities.

#### **Annual Work Plans and Budget Preparation (AWP&B)**

4. The Annual Work Plan and Budgets for the project and related training plan will be developed in a participatory manner after consulting with component leads by each component manager. The component managers will be responsible to ensure that such plans are in line with the projects Financing Agreements, Project Implementation Manual and overall development objectives of the project. The preparation will follow the following key steps which will include:

- The PMU Project Manager will provide guidelines and a timetable for the development of an annual project budget within the Ministry of Finance and Development Planning, to all thematic program leaders and teams four months before the AWP&B is to be submitted;
- The various thematic teams will ensure that the key departments, institutions and units such as procurement, finance and Internal audit and others are involved in the development of the annual work plan;
- The thematic work plans will be discussed in a joint work plan preparation session, involving all thematic component leads and key staff as necessary, chaired by the PMU Manager. This will ensure there is elimination of overlaps, omissions and any duplications;



- The Internal audit team of the PFMU in conjunction with the Internal Audit Agency will review these plans to ensure that the draft work plans to be submitted for approval are in line with the Financing Agreement and the Project Appraisal Document and issue a joint certificate to the chairperson of the PFM Steering Committee before the work plans are submitted to the overall PFM Steering committee for approval;
- The procurement team of the project will then work with the various teams to prepare the related procurement annual work plans which will be reviewed and subsequently approved before sharing with the World Bank task team and participating partners. The PMU procurement team will ensure that the work plans are in line with the submissions approved during negotiations or as updated to ensure that new activities are not introduced without due justification;
- The agreed AWP&B will then be discussed with the World Bank task team for its initial review, ensuring that the included activities are eligible for financing under the project;
- The AWP&B and Project Procurement Plan will then be forwarded to the requisite approving authorities for further review and approval before the PFM Steering Committee approves.
- The PMU Manager will then submit the package of the cleared AWP&B and PP for a No Objection from the Task Team Leader.
- Any person working on this project shall be devoid of any integrity issues and needs to be cleared by the Liberia Anti-corruption Agency or any other anti-corruption agency of reasonable repute. All people working within the project shall be required to declare their annual total value of assets a month after closure of each year. This declaration shall be submitted to the Minister of Finance and Development Planning, with a copy shared with the relevant bodies in Liberia.

**Specific accountability framework for per diems allowances, scratch cards, fuel and stationery and other soft expenditures**

5. Weaknesses in policy design and control of spending on per diems, scratch cards, fuel, stationery and other soft expenditures as a way to reimburse out of pocket expenses for travel and or training, has become a problem on most projects financed by the Bank in a number of jurisdictions. This project will implement a fair, transparent and efficient policy which provides adequate compensation for work related travel without creating incentives for personal gain or abuse. To mitigate the risk of unretired travel advances and provision of inappropriate/fraudulent documentation to acquit the travel advances, and unjustifiable claims for travel not undertaken. The project will undertake the steps listed below, which are aimed at arresting any such eventuality. The steps are as follows:

- The Ministry of Finance and Development Planning shall establish a reasonable standard rate for use in all Bank-assisted projects in respect of local travel. These rates will be applicable to this project.
- In respect of overseas/foreign travel, the applicable allowances shall be the lower of the prevailing UNDP rates or the established government rates which are normally paid as lumpsum for hotel and per diem;
- Local and overseas/foreign allowances paid to project staff would not require vouching for under the proposed framework; nevertheless, where actual travel days fall short of the travel days for which the advances were paid, the official will be required to reimburse the difference;
- Air tickets will continue to be reimbursed or paid on actual basis and used air tickets and boarding passes will need to be submitted as evidence of travel;
- Any person associated with the project subjected to investigation will have to step aside pending their clearance;
- At the beginning of each fiscal year, a separate training summary plan shall be developed and shared with the project TTL for review as part of the overall project annual work plan;



- All training, e.g local and international, would require prior clearance from the Bank's TTL before they are undertaken. The request for clearance should at minimum include the following: (a) a demonstrated linkage between the rationale for the workshop/training etc and the overall Project Development Objective of the project; (b) identification of the part of the annual work program to which the activity falls; (c) the number of trainees, their function and mode of selection. This should also include the number of times during the past 18 months that listed proposed trainees have benefitted from any training; (d) number of years before retirement from GOL service of each of the trainees, if not a group training; (e) the process used for selection of training provider, and if foreign training, rationale for not proposing a local training institution; (f) training prospectus and reference to the beneficial outcome of the training; (g) the detailed cost of the event; (h) no residential local training program will be allowed where the venue of the training is in the locality of the trainees; the preferred choice of locality should be the location of the majority of the officials to be trained; and (i) submission of training report by the trainees or certificate of attendance from the training institution;
- Direct acquisition, from travel agent, of the lowest cost economy class tickets, through electronic payment or cheque (no cash payment shall be allowed);
- The project audit terms of reference shall require annual audits for fuel usage where monthly reports for fuel usage shall be produced stating distances covered, purpose and how much fuel has been consumed per vehicle;
- The appointed auditor of the project shall be required to undertake review of systems of control periodically for the first three years of the project and submit the project audit report to the task team.