Report Number : ICRR0020683

1. Project Data

Project ID	**Project Name**	
P095314	SV Fiscal Mgmt and Public Sector Perf TA	
Country	**Practice Area(Lead)**	
El Salvador	Governance	
L/C/TF Number(s)	**Closing Date (Original)**	**Total Project Cost (USD)**
IBRD-78120,TF-95841	31-Dec-2014	20,000,000.00
Bank Approval Date	**Closing Date (Actual)**	
24-Nov-2009	30-Sep-2016	

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	20,000,000.00	75,000.00
Revised Commitment	20,000,000.00	63,629.21
Actual	15,357,417.22	63,629.21

Prepared by	Reviewed by	ICR Review Coordinator	Group
Arun Arya	Clay Wescott	Lourdes N. Pagaran	IEGEC (Unit 1)

2. Project Objectives and Components

a. Objectives

According to the Loan Agreement (Schedule 1, p.5) the project objectives were: "to strengthen the institutional capacity of specific government processes and agencies in order to increase the effectiveness and efficiency of revenue and expenditure management, and to enhance accountability and transparency in the public sector". The objectives stated in the Project Appraisal Document (PAD) (Para 21, Page 6, Section II B) were exactly the same as in the Loan Agreement.

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

No

c. Will a split evaluation be undertaken?

No

d. Components

In 2011, just before project effectiveness, a Level 2 restructuring of the project was done to change the scope and cost allocation across all components (see below) as requested by the national assembly.

(1) Strengthening Tax Collection Agencies (appraisal estimate US$7.8 million, revised estimate: US$5.20 million, actual: US$3.01 based on data provided by the team to IEG):

This component at the time of appraisal was to analyze and implement options to integrate activities to strengthen the revenue agencies' institutional capacity to control tax evasion and smuggling. Activities included (a) strengthening coordination among the Internal Revenue Agency, Customs Agency, and Treasury Office (to improve information sharing practices and increase common control procedures for better tax compliance; (b) strengthening the Internal Revenue Agency's (*Dirección General de Impuestos Internos*) (DGII's) institutional capacity; and (c) supporting the Customs Agency by strengthening its auditing and control functions. In the Level 2 Restructuring in 2011, this component was substantially reduced and reoriented to focus on customs and dropping activities related to the provision of software, equipment, and training for the DGII.

(2) Modernizing Public Expenditure and Financial Management (appraisal estimate US$7.5 million, revised estimate: US$13.00 million, actual: US$11.3 million):

This component at the time of appraisal was to help the Ministry of Finance (MoF) modernize its budget and financial management processes and systems through four main activities: (a) introduction of a multi-annual and a performance-based budgetary framework; (b) implementation of a Treasury Single Account (TSA) and use of electronic payments; (c) strengthening and upgrading of the integrated financial management information system (*Sistema de Administración Financiera Integrada,* SAFI); and (d) modernization of the public procurement system. During the restructuring in 2011, various subcomponents of this component were revised. Development of a multi-annual budgeting approach was dropped from this component, while activities related to the upgrading and integration of associated financial information systems (SAFI II) were significantly expanded. The update of procurement policies to increase efficiency was removed and a new subcomponent was added to support the modernization of public investment and debt management systems. Overall, this component saw the largest increase in reallocated funds.

(3) Enhancing and piloting information management and public sector transparency initiatives (appraisal estimate US$3.20 million, revised estimate: US$0.80 million, actual: US$0.62 million)):
This component at the time of appraisal was to support planning and decision-making processes and transparency and access to public information to strengthen existing accountability systems. This component was explicitly designed to be flexible and adaptable to changing conditions.
During the restructuring in 2011, activities on piloting information management were reduced as alternative

funding became available.

(4) Project coordination (appraisal estimate US$1.09 million, revised estimate: US$0.95 million, actual: US$0.3 million):

This component at the time of appraisal was to provide support to the MoF to adequately coordinate and monitor project implementation through strengthening the capacities of the National Financial Administration and Innovation Office and the MoF's administrative units of financial management and procurement (National Procurement Office. During the restructuring in 2011, the scope of this component was also reduced.

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

Project Cost: The total cost of the project at appraisal was US$20 million. Actual cost was US$15.67 million, (78% of the appraisal estimate). During the restructuring in 2011, there was a re-allocation across four components, but the total project cost remained the same at US$20 million.

The change in the focus of components 1 and 2 was motivated by the availability of grant resources from other developing partners to support the activities that were eliminated from the Project.

Financing: The project was 100% financed by the IBRD.

Borrower's contribution: Borrower's contribution was not envisaged.

Restructuring: There were two restructurings of the project. The first one was a level 2 restructuring on 02/16/2011, prior to project effectiveness. As noted above, the first restructuring reduced the cost and scope of most components, and increased the cost of one.

The second restructuring on 10/08/2014 extended the project closing date by 21 months in order to provide the additional time to develop the core of the country's new integrated financial system (SAFI II) and ensuring that the sequencing and module integration were achieved. A modification of the project's results framework was also done to better reflect implementation progress and achievement of the development objectives, and make indicators more clearly attributable to project activities.

Dates: The original project closing date was 12/31/2014. The project closing date was extended until 09/30/2016.

3. Relevance of Objectives & Design

a. Relevance of Objectives

At appraisal in 2009, El Salvador was facing an economic slowdown precipitated by the 2008 global financial crisis. This operation was part of a package of lending operations by the World Bank designed to support the country's response to the crisis, including a Development Policy Lending operation and various sector lending operations, which was considered critical by the MoF to address weaknesses in its management of revenue and expenditure. The objectives of this operation were aligned with the Government's strategic priorities and the World Bank's Country Partnership Strategy (FY2010-12), which had identified support to the expansion of fiscal space, improved targeting of subsidies, implementation of results-based budgeting, enhanced access to information, and improved fiscal transparency. The proposed operation sought to address critical short-term fiscal pressures through tax measures while developing institutional capacities and systems in the areas of transparency, results-based budgeting, and public financial management (PFM).

At the time of closure, the project objectives remained relevant to the World Bank Group's Country Partnership Framework (FY2016-2019). In particular, Objective 5 is envisaged to promote efficiency of public spending in light of high fiscal deficit, low economic growth and high public debt.

Rating
Substantial

b. Relevance of Design

Due to a major narrowing in scope after the first restructuring in response to changing Government priorities, without any change in the ambitious PDO, the Bank's support was insufficient to achieve the desired results. In the case of revenue management, the PAD had called for at least a 1% increase in tax collection as a percentage of GDP in five years. This was to be achieved by fostering a tighter connection between tax and customs. Yet after the first restructuring, this aspect was sharply reduced to focus solely on customs systems. The improvements now supported only one aspect of revenue collection, and were also intended to support aspects of customs management unrelated to revenue, such as keeping out undesirable goods, and trade facilitation.

In the case of expenditure management, there was an increase in the scope of Bank support in the first restructuring, which eventually had to be scaled back because of an overly ambitious, poorly sequenced design, dropping financing of some of the core modules of SAFI II. The revised areas of support were insufficient to bring about increased effectiveness. Finally, in the case of accountability and transparency, the scope of Bank support was sharply reduced as alternative funding became available. Thus any improvements in this area would be only partially attributable to the Bank's support.

Rating
Modest

4. Achievement of Objectives (Efficacy)

Objective 1

Objective

Increase the efficiency and effectiveness of revenue management

Rationale

Outputs/Outcomes:

- The target of increasing the number of customs points with nonintrusive control methods was mostly achieved, with six in use at project completion, one short of the target of seven. However, due to procurement challenges, these were not funded by the operation as planned, but directly by the Government.
- The target of reducing the number of hours required to clear the merchandise from the moment it arrives at customs terminal until it was released was partially achieved. At the end of the project, it took only 21 hours (from to the baseline of 60 hours), compared to the target of 17 hours (revised on 09/30/2016 at the last day of the project) and to the original target of 48 hours. In either case, this was a substantial 65% reduction from the baseline.
- The target of increasing web-processed transactions in customs from 89% to 98% was achieved.
- The project failed to upgrade its customs software system due to contractual disputes with United Nations Conference on Trade and Development (UNCTAD).

These improvements would be expected to contribute to the objective of improved efficiency of customs revenue management. However, they would have little impact on the effectiveness of overall revenue management. While tax revenues did increase over the period 2011-2016 by an estimated 1.6% of GDP (IMF Article IV Staff Report 2016), exceeding the original (subsequently dropped) PDO target of at least 1% of GDP, only a small part of this increase could be attributed to the Bank operation with its narrow focus on customs.

Rating

Modest

Objective 2

Objective

Increase the efficiency and effectiveness of expenditure management

Rationale

Outputs:

- The target of developing and operationalizing a new Integrated Financial Management System SAFI II including program based budgeting and payment processing through a Single Treasury Account was not achieved due to a procurement failure.
- 17 Training Sessions against the target of 12 were organized for increasing the capacity in budget planning and formulation through the new integrated financial management information system.

Outcomes:

The outcome of stronger planning, budgeting, treasury and accounting systems in place was not achieved, with program-based budgeting and MTEF embedded in SAFI II. The ICR notes that payment processing through the TSA has reduced time to pay vendors from 15 days to one day or less. However, attribution of this outcome to this project is not clear, as SAFI II is not yet operational. The team subsequently informed IEG that most of the payment processing through the TSA module for the central government payments was happening by the project end. The new SAFI II system was to be connected with the payment processing through the TSA in a separate module. While the flow of information between SAFI II and the TSA has not materialized, the separate TSA payment processing module is functional and beginning to work (it still needs to include payroll, which accounts for the majority of transactions). Full implementation of the TSA (across all institutions and for the payroll), interconnected to the budget system, is expected once SAFI II is fully operational. These efficiency improvements can be partially attributed to Bank support, along with parallel support from USAID.

The Borrower indicated that the Single Treasury Account module was developed as part of SAFI I, starting in 2013, with resources from the IMF and the Government of El Salvador, which would explain why it was not integrated in SAFI II.

The efficiency and effectiveness of expenditure management as measured by PEFA indicators has deteriorated from 2009 to 2013 in terms of stock and monitoring of expenditure arrears, comprehensiveness of information included in budget documentation, extent of unreported government operations, oversight and of aggregate fiscal risk from other public sector entities, effectiveness of payroll controls, effectiveness of internal controls for non-salary expenditure, and quality and timeliness of annual financial statements. On most other indicators, the performance has remained static. Despite this deterioration or lack of improvement in the effectiveness of expenditure management, the new systems and processes introduced by the project are necessary for eventually realizing improvements.

Rating
Negligible

Objective 3
Objective
Enhance the accountability and transparency in the public sector

Rationale
The one intermediate result for accountability and transparency was achieved: training and dissemination of 50 initiatives, against the target of 22, to strengthen government transparency, citizen participation and access to public information.

The ICR reports that, although not part of the original project design, the project supported government in the achieving the following results that contributed to increase in transparency:

- There was improvement and expansion of the InfoÚtil Portal, which enabled citizens to access useful day-to-day information on procedures and services related with health, education, economy, and finances.
- A Public Jobs Vacancy Portal was developed, which consolidated vacancies from 45 public institutions.
- A proposal for open data policy was designed, and the Gobierno Abierto Portal created, which integrated information, requests for information, complaints, and rankings of the performance of public institutions.

Concerning accountability, the project supported the dissemination of El Salvador's Law on Access to Public Information through television campaigns, brochures, and trainings in schools and public institutions. Eighty-three Offices of Information and Response were created within the Central Government. As of November 2013, the Office of Information and Response (*Oficinas de Información y Respuesta*) had received 24,021 requests for information and responded to 90 percent of the requests.

Outcomes:
There was no PDO indicator to measure the accountability and transparency in public sector.

Nevertheless, progress in this area was reflected in improvement to El Salvador's Open Government score from 0.37 to 0.51 between 2014 to 2016. Making government agencies respond to people's questions would be expected to raise accountability. The impact of these reforms were reflected in an improvement in El Salvador's score on World Governance Indicator on voice and accountability from 46.5 in 2012 to 50.7 in 2015 (Page 16, Para 54). However, El Salvador remained at the same 51 percentile rank in 2010 and 2015.

Through the dissemination and implementation of the Access to Public Information Law and other transparency initiatives, the project has had an impact on the accessibility of public information for citizens. Considering that the scope and financing of transparency and accountability activities were substantially reduced from US$3.2 million at appraisal to US$0.8 million at effectiveness, and only US$0.62million could be used, most activities under this objective were implemented by government using other donor funds. Therefore, outcomes that were achieved under this objective cannot be fully attributed to this project.

Rating
Modest

5. Efficiency

No formal economic cost-benefit analysis was performed at the time of appraisal. The PAD's Economic and Financial Analysis listed a number of potential financial and economic impacts mainly related to efficiencies generated from improvements in revenue collection, facilitation of payments to public sector suppliers, and reductions in idle balances in commercial banks. At closure, while results such as increases in the web-processing of various transactions and reductions in hours to clear customs merchandise must have contributed to savings from enhanced efficiency, these improvements are captured in the efficacy section. The ICR found it difficult to quantify such benefits ex post given the lack of concrete data.

The project's implementation experienced long delays and was constrained by poor design, procurement failures, lack of coordination between different implementing agencies and absence of a Project Director for the most of the project life. Due to all these factors, the project efficiency is estimated to be negligible.

Efficiency Rating
Negligible

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

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

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

6. Outcome

There was substantial relevance of objectives, with close alignment with Government and Bank priorities. There was modest relevance of design, due to a major narrowing in scope after the first restructuring, without any change in the ambitious PDO. Efficacy was modest to negligible; while there were some improvements in programmatic efficiency, there was little improvement in effectiveness that could be attributed to the operation with its reduced scope. The operation's efficiency was negligible due to implementation weaknesses, and the difficulty of quantifying benefits.

a. Outcome Rating

Unsatisfactory

7. Rationale for Risk to Development Outcome Rating

Whether the limited outcomes from the project would be sustained is uncertain and would depend on government's actions. Regarding expenditure management, the software for SAFI II has been locally developed, but it is unclear how, as there was failure in procurement of the software development firm. The software has not been tested by a third party and it is not yet operational. The use of transparency and open data tools by the ministries and agencies have created a demand for support from the SCPT. The tools developed through this project have been incorporated into the agencies' current procedures and are unlikely to be reversed. Similarly, the implementation of Law on Access to Public Information is unlikely to be reversed.

a. Risk to Development Outcome Rating

Modest

8. Assessment of Bank Performance

a. Quality-at-Entry

The project had analytical underpinnings in the Public Expenditure Financial Accountability (PEFA) Assessment of 2009, which had identified several weaknesses and areas of improvement in the performance of PFM systems. The project correctly prioritized its attention on strengthening tax collection agencies and modernizing public expenditure and financial management. It also correctly focused on introducing a Medium- Term Expenditure Framework and program-based budgeting. However, it did not go further with a thorough assessment of the enabling environment for upgrading the financial management information system (SAFI) and embarking on a complex integration with other systems (human resources, debt, public investment, TSA). The duration of the project was 5 years, whereas financial management information systems in the Bank's experience take 6-7 years, and often require multiple operations for full integration and rollout of the system across the government.

The project was well aligned with the strategic priorities of the government and its design informed by the PEFA assessment of 2009 and the Tax diagnostic assessment. The Bank had identified the risk of delays in the approval of the loan by the Congress, institutional implementation capacity including procurement, and resistance to change. However, these risks could have been better mitigated by reducing the scope of activities.

The design of the project was very complex, covering customs, PFM, financial management information system (FMIS), and transparency and accountability reforms. The FMIS design was overly ambitious to be implemented in 5 years. Secondly, development of FMIS was not sequenced and aligned with PFM reforms. Thirdly, it is essential to conduct the third party testing and benchmarking of a locally developed software, in absence of which, the quality of product cannot be assured. However, this was not included in the project design.

With the first restructuring, the revenue management component was substantially adjusted to focus solely on the customs management. The change in design reduced the scope of project's contribution to achieving the objective of increasing the efficiency and effectiveness of revenue management, but a corresponding change in the objectives was not done.

The design of the Results Framework had significant shortcomings (see Section 10a).

Quality-at-Entry Rating

Moderately Unsatisfactory

b. Quality of supervision

The Bank team was proactive and organized several missions to hold meetings with government to align priorities and strengthen capacity of the Project Implementation Unit (PIU).

However, the team was not able to give appropriate advice on procurement contributing to the failure in procuring nonintrusive scanners for custom points due to mistakes in the technical specifications, inadequate market assessments, and difficulties in adhering to World Bank procurement procedures. The project also failed in procuring a consultancy firm to develop Financial Management Information System (FMIS) software due to lack of firms willing to bid on the project. The Bank could have helped redesign the bid documents to attract bidders or simply advised the government to go for a commercial-off-the-shelf software. The Bank team also could not mediate and resolve differences between the government and UNCTAD in upgrading of customs software.

The Bank team had three Task Team Leaders (TTLs) during its project life time which had different approaches and priorities as per their area of technical expertise. This led to lack of focus on areas where the TTL had lack of expertise. According to the ICR, the Bank did not ensure adequate transition arrangements of the TTLs.

The Bank team lacked an ICT Specialist for most of the project implementation which was essential for a project of this scope and design. The absence of ICT specialist adversely impacted the team's capacity to take appropriate technical decisions. An ICT Specialist was included in the team towards the end of project, but important time had elapsed. Once the challenges in FMIS were understood, the Bank financed a system evaluation through an independent consultant. This should have been done at the start of the project.

Quality of Supervision Rating

Unsatisfactory

Overall Bank Performance Rating

Unsatisfactory

9. Assessment of Borrower Performance

a. Government Performance

The Government was unable to steer the project in the right direction. While the senior management of the MoF viewed the project as strategically important, a number of critical decisions related to the integration of treasury, budget, and accounting processes were decentralized to lower levels to Directors, which jeopardized integration of modules under SAFI II due to substantial resistance to reform at their level. At the start of the project, a Coordination Committee was established, headed by the Vice Minister, with the task of resolving issues of coordination between different modules in presence of all relevant Directors. However, the committee was not fully operational until the last year of the project.

The project aimed at achieving this objective by putting in place stronger planning, budgeting, treasury and accounting systems in line with international standards. This was to be done by developing a new integrated financial management information system (SAFI II) that included program-based budgeting and payment processing through a TSA. The establishment of SAFI II suffered due to the resistance within the Ministry of Finance, coordination with major donors, weak capacity of the coordinating unit, and lack of a Project Manager. The Government had decided to pursue a locally developed software, but failed to procure a firm twice because of a lack of firms willing to bid on the project. The Government then tried to contract 20 local developers but failed.

The government took a long time to appoint a Project Manager with a good technical background for SAFI II despite repeated requests by the Bank and the donors. There was also a high turn-over of project managers. The first Project Manager resigned within three months, followed by a Bank financed Project Manager who also eventually resigned along with the main technical consultant. The Government was thus not able to effectively coordinate Technical Directors or donors in support of its fiscal and PFM reform program, leading to serious problems in developing an integrated financial management information system.

The government was also not able to resolve procurement issues and failed to procure nonintrusive scanners and software development firm for FMIS. The project had also aimed at upgrading customs software system with support from United Nations Conference on Trade and Development (UNCTAD) which was to supply under contract an automated system for customs data platform. This platform was to automate and integrate business processes in customs. However, contractual disputes arose with UNCTAD which could not be fully resolved till the end of the project and the system could not be fully developed/operational.

However, the government implemented the transparency and accountability reforms with a clear commitment and interest.

Government Performance Rating

Unsatisfactory

b. Implementing Agency Performance

The implementing agency for the project was DINAFI, which also housed the PIU. There was high turnover in DINAFI and the PIU was not fully staffed. This undermined the pace and quality of implementing project activities. The PIU was small and for the majority of implementation the only full-time person was the Financial Management specialist. Implementation issues were not resolved in a timely fashion. The Government resisted hiring additional procurement staff for the project. No staff was hired to perform M&E functions, which delayed reports on project progress. The pace of implementation in the final year of the project (reflected by an increase in disbursements) improved as a result of more direct engagement of senior management and the hiring of a Procurement Specialist in the PIU.

DINAFI did not play a major leadership role in ensuring that the overall PFM reform strategy was well implemented. DINAFI started to drift from the strategy of developing an integrated financial management information system (SAFI II) by financing modules with other funding sources, thereby limiting the strategic orientation across components/subcomponents. While making these choices, it preferred Donor funds which came in the form of grants, in comparison to Bank funds which came in the form of loan. This impacted the strategic orientation and donor coordination.

Organizationally, DINAFI was also limited in its ability to coordinate and resolve conflicts between Directors as it was on the same level with the other directors in the ministry. Legally, DINAFI's responsibility for implementing the new system was by way of delegation from the Minister through an Executive Order, which made it responsible for 'integration' and not for 'functional modifications'. As a result, the Directors of Budget, Treasury, and Accounting did not think they had to comply with DINAFI's requests.

Implementing Agency Performance Rating

Unsatisfactory

Overall Borrower Performance Rating

Unsatisfactory

10. M&E Design, Implementation, & Utilization

a. M&E Design

The original results framework consisted of 4 PDO level indicators and 20 intermediate level outcome indicators and included a number of PEFA indicators to measure performance in PFM practices and used the 2009 PEFA to establish the baseline. These well captured the achievement of project objectives. However, with the second restructuring in 2014, the results framework was modified and reduced the number of indicator to 2 PDO indicators and 5 intermediate outcome indicators. The PEFA indicators were dropped from the Results Framework. Outcome indicators were vague and complex. For example, the results framework did not define how to measure the strength of planning, budgeting, treasury and accounting systems. Indicators had baselines and targets, but it wasn't clear whether achievement of targets would lead to achievement of the PDO. For example, the issue of how providing nonintrusive scanners at 6 customs points and 98% web-processing of transactions would lead to improved efficiency was unclear. There was no PDO indicator to measure the transparency and accountability in the public sector.

b. M&E Implementation

DINAFI coordinated the monitoring of project activities throughout implementation. The PIU was supposed to have a M&E officer, but that position was never filled. The PIU was small and lacked even the Project Manager for SAFI and the Procurement Specialist. This adversely impacted the M&E functions. Data collection relied heavily on meetings and reports by the counterparts involved in each of the subcomponents, but meetings were not held regularly. There were delays in getting information on the progress made under different components. The PIU was not able to satisfactorily monitor the project as production of project performance information was not adequately systematized and took significant time to be integrated.

c. M&E Utilization

M&E was to be utilized for improved decision making at the Ministry of Finance. A Coordination Committee was formed under the chair of the Vice Minister of Finance, which was responsible for strategic planning and project monitoring. However, the committee was not fully operational until the last year of the project implementation. Had it been set up earlier, it could have helped to take timely and definitive decisions to resolve coordination problems and make course correction.

M&E Quality Rating

Negligible

11. Other Issues

a. Safeguards

This project did not trigger any of the Bank's environmental safeguard policies. Also, there were no negative social impacts associated with this program. This operation was expected to produce positive social impacts by improving the efficiency and effectiveness of public revenues and expenditures and improving transparency and accountability of public sector.

b. Fiduciary Compliance

According to the ICR, financial management performance was considered Satisfactory. Some issues arose at the start of the project and the need to hire a dedicated Financial Management Specialist in the PIU was established. Once the financial management specialist was hired; the performance became Satisfactory.

Procurement performance was considered Moderately Unsatisfactory. The PIU did not hire a dedicated Procurement Specialist until the end of the project. There were recurrent delays and failures in the largest procurements of the project, particularly in equipment and software in the customs and PFM components. Procurement Plans were revised substantially and there were 18 cancelled procurement packages. Staff capacity in the implementing agencies responsible for the technical specifications was very weak.

c. Unintended impacts (Positive or Negative)

Although SAFI II could not be fully developed and made operational, the project financed upgrading of about 90% the hardware in the MoF through purchasing new computers, servers, video conferencing equipment, critical network infrastructure, and a data warehouse. This contributed to improvements in the processing, storage, accessibility, and security of data, which enabled an increase in the number of online citizen/business services provided by the MoF. including: (a) tax refund consultations; (b) presentation of information and declarations and payment of taxes online; (c) request forms and consultations for tax solvency; and (d) requests for cancellation, receipt, or modifications of one’s Tax Identification Number for naturalized citizens. Apart from this, the project also contributed to improvements in ICT knowledge of the MoF staff through trainings.

d. Other

According to the ICR, this project has been an important catalyst in the institutional strengthening of the Secretary of Citizen Participation and Transparency (SCPT). The institutional evolution of the SCPT also suggests that the transparency and accountability agenda has taken hold in the administration. In 2009, the Secretariat was a Sub-Secretariat of Transparency and Anti-corruption. In 2014, it was converted into SCPT, as citizen participation was added to its functions.

This project has been an important catalyst in the institutional strengthening of the MoF. The Bank maintained a continuous policy dialogue on PFM and other important areas for country’s development.

12. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Unsatisfactory	Unsatisfactory	---
Risk to Development Outcome	Modest	Modest	---
Bank Performance	Moderately Unsatisfactory	Unsatisfactory	The Bank team was not able to give appropriate advice on

			procurement, failing which, the project failed four times in procuring nonintrusive scanners for custom points and two times in procuring a consultancy firm to develop FMIS.
Borrower Performance	Unsatisfactory	Unsatisfactory	---
Quality of ICR		Modest	---

Note
When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

13. Lessons

The following key lessons are drawn by IEG, building on lessons presented in the ICR:

1. Deeper assessment of the need, feasibility, viability, scoping and sequencing of PFM and IFMIS reforms will improve project design. In the case of this project, the project scope was kept too wide to cover different aspects of revenue and expenditure management and transparency and accountability of the public sector. In case of the IFMIS, the initial design included several modules including public investment management and human resources management, which was not feasible to be implemented in the project time of 5 years. At the end of 2013, the government decided to implement IFMIS with proper sequencing, covering only the 'financial core' budget, treasury and accounting modules in the first phase.

2. Careful consideration of alternative technology options regarding IFMIS software can improve results. In the case of this project, the project chose to use a locally developed software. There was no careful consideration of alternative commercial-off-the-shelf software. It usually takes a longer time to develop software from scratch and one cannot be sure of its quality without testing and benchmarking by a third party. The commercial-off-the-shelf software is tested and patented and can often be more easily implemented with necessary adjustments to meet requirements of country's legal framework. There was no technical assessment of the two options before this decision to use locally developed software was taken, leading to uncertainties about the quality and delays.

3. Donor Coordination and agreement reached on respective strengths and responsibilities for implementing reforms at the appraisal stage helps to achieve desired outcomes. In the case of this project, the original project design was changed considerably at the time of first restructuring, with other development partners picking up substantial proportion of funding for improving transparency and accountability. Government preferred this funding as it came in the form of grants; however, if that information was available earlier, the government together with the Bank could have taken that decision earlier. Delays meant that the Bank's inputs were not enough to reach the desired project outcomes, despite the ample available funding, much of which had to be cancelled in the end.

14. Assessment Recommended?

Yes

Please explain

There are lots of information gaps in regard to efficacy of the first and the second objective. Since this an unsatisfactory project, and the ICR had shortcomings (see below) IEG may want to examine in greater detail the reasons for failure and draw lessons for the upcoming public finance evaluation.

15. Comments on Quality of ICR

The ICR provides a strong and candid overview of project preparation and implementation. Its evidence is robust, drawing from a variety of sources of data. It is appropriately critical and results oriented. However, it lacks some key information on project implementation. It is silent on issues, for example, after the procurement failure of nonintrusive scanners for customs points, how did the government procure them? The ICR is also silent on whether and how the project finally developed the IFMIS software after two procurement failures. The team subsequently clarified that the development of the modules was done through local developers funded by the loan. The ICR noted that payment processing for Central Government payments (excluding payroll) was being done through the TSA. It also noted that SAFI II was not operational by project closing. It was unclear how payment processing could be done without SAFI II being operational. Subsequently, the team clarified that payment processing (excluding the payroll) was being done in a separate module; however, full implementation of the TSA across all institutions and for the payroll, interconnected to the budget system, has not happened as the SAFI II is not yet operational.

a. Quality of ICR Rating

Modest