



## 1. Project Data

**Project ID**

P085133

**Project Name**

Govt Finl Mgt &amp; Revenue Admin Project

**Country**

Indonesia

**Practice Area(Lead)**

Governance

**L/C/TF Number(s)**

IBRD-47620,IDA-40260,TF-53556,TF-90047,TF-91414

**Closing Date (Original)**

30-Jun-2009

**Total Project Cost (USD)**

67,915,016.00

**Bank Approval Date**

21-Dec-2004

**Closing Date (Actual)**

31-Dec-2015

**IBRD/IDA (USD)**
**Grants (USD)**

Original Commitment

60,000,000.00

7,124,538.00

Revised Commitment

59,999,904.23

4,835,776.14

Actual

59,967,836.83

4,835,776.14

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## 2. Project Objectives and Components

### a. Objectives

According to the Loan Agreement (p. 22), the project's objective was "to improve efficiency, governance, integrity and transparency in the Borrower's public financial management and revenue administration."

The Development Credit Agreement (p. 1) cites a letter from the Borrower describing a slightly different set of objectives: "to implement policy and process reforms to strengthen efficiency, governance and accountability in public financial management and the revenue administration."



In the June 2009 restructuring paper (Annex 1), the objective was revised to focus only on public financial management: "The objective of the Project is to improve efficiency, governance, integrity and transparency in the Borrower's public financial management." Many activities related to tax administration were instead picked up by a separate Specific Investment Loan (Project for Indonesian Tax Administration Reform, which was eventually cancelled after very little disbursement), and the government decided to implement customs administration reform without donor assistance.

For purposes of this validation, the objectives are taken from the original Loan Agreement and Restructuring Paper, and a split rating is performed. At the time of restructuring, US\$ 4.86 million, or 7.3 percent of Bank financing, had been disbursed. This review assesses the following specific objectives: (i) improve efficiency in the Borrower's public financial management; (ii) improve governance in the Borrower's public financial management; (iii) improve integrity and transparency in the Borrower's public financial management; and (iv) improve efficiency, governance, integrity and transparency in the Borrower's revenue administration.

The project was originally conceived as the first phase of a three-part, twelve-year Adaptable Program Loan (2004-2015), with the overall program objective to "facilitate the realization of poverty reduction goals through higher resource mobilization and more effective public resource management" (Project Appraisal Document, PAD, p. 3). The first phase was ultimately extended through 2015 as a Specific Investment Loan under the revised objectives, and the second and third planned phases were never implemented.

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

Yes

**Did the Board approve the revised objectives/key associated outcome targets?**

Yes

**Date of Board Approval**

05-Jun-2009

**c. Will a split evaluation be undertaken?**

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**d. Components**

The project contained four components (the ICR provides actual costs by component only for Bank financing):

A. Public Financial Management (PFM) (appraisal: US\$ 66.9 million; actual Bank financing US\$ 61.18 million). This component was intended to support the Ministry of Finance and Bappenas (the National Development and Planning Agency) in strengthening the effectiveness, transparency, and accountability of government spending through technical assistance and investment for: (a) strengthening of policy capacity; (b) strengthening of budget planning and development, reform of the budget process, and unified budget preparation (including capacity building support for four pilot line ministries); (c) budget implementation and treasury modernization, including the design and implementation of an automated treasury payment and



budget preparation system (SPAN); (d) public procurement reform, including a pilot e-procurement system; and (e) implementation of public sector accounting standards.

B. Revenue Administration (appraisal: US\$ 2.8 million; actual Bank financing US\$ 0.26 million). This component was intended to improve compliance and revenue collection, promote integrity, and facilitate services for traders. It was to finance investment and technical assistance for the Directorate General of Customs and Excise to strengthen client services through improved organization and management, customs operations, trade facilitation, and integration and consolidation of information systems and technology infrastructure.

C. Governance and Accountability (appraisal: US\$ 5.4 million; actual Bank financing, US\$ 1.40 million). This component was to strengthen entities functioning as strategic checks and balances in the broader governance and accountability framework. It was to finance investment and technical assistance: (a) to the House of Representatives for strengthening parliamentary capacity for budget analysis and oversight; (b) to the Tax Court for facilitating revenue dispute resolution through strengthening the Court's efficiency, transparency, and professionalism; and (c) to the Office of the Inspector General of the Ministry of Finance for strengthening internal accountability.

D. Project Governance and Implementation (appraisal: US\$ 4.9 million; actual Bank financing US\$ 2.85 million). This component was to strengthen project governance, ownership, sustainability, and coordination. It was to finance investment and technical assistance for change management and socialization, communication, monitoring and evaluation (M&E), and project implementation.

At the 2009 restructuring, activities related to revenue and tax administration were dropped.

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

**Project Cost:** Total project cost at appraisal was US\$ 80 million. At the June 2009 restructuring, costs were increased to US\$ 95 million. Final project costs were US\$ 96.55 million.

**Financing:** The project was to be financed by an International Bank for Reconstruction and Development loan of US\$ 55 million, of which US\$ 55 million was disbursed (actual spending by the government was US\$ 54.4 million, with the government refunding the unspent balance to the Bank), and an International Development Association credit of US\$ 5 million, of which US\$ 4.97 million was disbursed. The Japanese Ministry of Finance was to contribute a US\$ 5 million Policy and Human Resource Development grant, of which US\$ 4.6 million was disbursed.

A Public Financial Management Multi-Donor Trust Fund, approved in April 2007, was to contribute US\$ 3.85 million. According to the ICR (p. 34), about US\$ 1.2 million of these funds was allocated to support activities not part of the project's scope, and therefore US\$ 2.6 million of this Trust Fund is to be considered disbursed under the project.

Total Bank financing including grants was therefore US\$ 66.57 million (ICR, Annex 1).



**Borrower Contribution:** The Borrower's originally planned contribution was US\$ 15 million, increased to US\$ 30 million at the June 2009 restructuring. The actual Government contribution was US\$ 30 million.

**Dates:** This project was originally approved by the Board on December 21, 2004. The project underwent two restructuring processes. In June 2009, a Board-approved restructuring revised the project's objectives and components and extended the closing date from June 30, 2009 to December 31, 2013. In December 2013, the closing date was extended by two years to December 31, 2015.

### 3. Relevance of Objectives & Design

#### a. Relevance of Objectives

The original objectives were relevant to country conditions, government plan, and the Bank's country assistance strategy. At appraisal, perceptions of corruption in public financial management practices were a formidable barrier to addressing Indonesia's poverty and development challenges. The Minister of Finance had proposed rolling out reforms in stages, creating initial islands of effectiveness and integrity to proceed first and serve as role models for the others. This project was intended to establish such an "island" at the Ministry of Finance as the basis for expansion of effective and efficient governance and transparency throughout the public sector. The objectives followed from a 2002 Ministry of Finance White Paper that laid out the rationale behind the reforms, stressing that transparency in government budget preparation and accountability in treasury management would strengthen the responsive, efficient, and effective allocation and use of resources, forming an essential element of the country's anti-poverty program (PAD, p. 2 and Annex 1 p.16). Good governance remains a key element of the government's National Medium-Term Development Plan (2015-2018), and one of the core engagement areas of the Bank's current Country Partnership Framework (2016-2020) is enhanced revenue generation and improved effectiveness of public spending. Even after the dropping of the revenue administration part of the objectives at restructuring, the objectives were still highly responsive to government and Bank priorities.

**Rating**  
High

**Revised Rating**  
High

#### b. Relevance of Design

The project's planned activities were well aligned with its intended outcomes. Efficiency gains were to be expected from the implementation of the State Treasury and Budget System (SPAN) and Treasury Single Account (TSA) systems. Governance improvements were to stem from the project's interventions in policy and budget planning capacity development in the Ministry of Finance and Parliament. Transparency and integrity were to be enhanced through procurement reforms. Highly specialized experts participated in the construction of each component. However, it was an important shortcoming that the readiness of the revenue administration institutions to undertake major reforms was overestimated, rendering the scope of the



project overly ambitious even for a long-term adaptable program loan. The project's original design was therefore rated Modest. Once the objectives and activities were recalibrated at the 2009 restructuring, design became Substantial.

**Rating**  
Modest

**Revised Rating**  
Substantial

#### 4. Achievement of Objectives (Efficacy)

##### **Objective 1**

##### **Objective**

Improve efficiency in the Borrower's public financial management

##### **Rationale**

##### Outputs:

SPAN and TSA systems were rolled out. The SPAN is operational in 222 locations across the entire country, managing 100 percent of financial transactions of over 24,000 government spending units. The TSA is now operational in all Treasury offices, with all state receipts deposited in and all state expenditures withdrawn from it, through electronic transfer.

##### Outcomes:

Informal "fees" that previously were given to expedite payments have been discontinued. Direct deposits are now used for salaries of 1.62 million civil servants and payments to 300,000 suppliers, saving approximately US\$ 55 million annually in printing and internal communications costs. The number of bank accounts being managed for payment of salaries has been reduced from 750 to three. OM-SPAN, an on-line monitoring system for payment transactions, can now be used to check on payment status on a real-time basis. Government officials can now monitor the budget execution process almost in real time, a substantial improvement over the previous system that required reconciliation of multiple reporting systems from several databases. While the number of Treasury staff has remained constant, the volume of payment transactions increased from 32 million transactions in the amount of Rp590 trillion in 2008, to 44 million transactions in the amount of Rp1,400 trillion in 2013. In addition, since full implementation of TSA in 2009, over US\$ 300 million has been saved in interest earnings due to consolidation of cash balances, the bringing into compliance of off-budget accounts, and the closing of miscellaneous accounts of line ministries. An audit of 2015 financial reports was expected in mid-2016.

**Rating**  
Substantial



## **Objective 2**

### **Objective**

Improve governance in the Borrower's public financial management

### **Rationale**

#### Outputs:

The capacity of members of Parliament to scrutinize and oversee the annual budget was improved through analytical support to the budget formulation process. The project also supported training and professionalization of Fiscal Policy Office staff. For example, training was offered to staff (seven of whom completed Ph.D. programs, 12 master's programs, and 18 specialized training).

#### Outcomes:

An annual budget review, undertaken by Parliament over a period of about seven months, now covers the country's macroeconomic framework, main fiscal policies, and expenditures and revenues. The relevant parliamentary sectoral budget commissions hold detailed discussions of the annual work plans of line ministries. The amount of time Parliament has to review the draft budget once it is tabled has increased from 6-8 weeks prior to the project to 8-10 weeks.

A medium-term expenditure framework (MTEF) was introduced in the 2011 budget, but its fine tuning and the operationalization of performance-based budgeting are not yet realized. A Ministry of Finance regulation issued in 2015 obligates line ministries to submit three-year forward estimates along with annual budget proposals. Integration between the Treasury and the Budget Preparation module of SPAN remains a challenge (ICR, p. 28).

### **Rating**

Modest

## **Objective 3**

### **Objective**

Improve integrity and transparency in the Borrower's public financial management

### **Rationale**

#### Outputs:

SPAN was rolled out. A new module (a supplier database) was introduced to reduce payment errors to unintended recipients. Annual budget ceiling data are integrated with SPAN. The ICR (p. 16) states that



there has been "progress in terms of ensuring greater access to the semi-annual budget report," but the exact nature of that progress is not clear.

A special investigative unit was set up in the Office of the Inspector General to look into allegations of corruption against Ministry of Finance staff, including tax officers.

The Treasury has made progress transitioning from cash-based accounting to accrual-based accounting.

#### Outcomes:

SPAN has reduced opportunities for informality and trimmed down leakages due to erroneous payments or over-spending (as spending units cannot disburse beyond the budget ceiling). Manual checks of payments for 300,000 suppliers have been replaced with direct payment to accounts, increasing fiscal discipline over payments.

Individual line ministries now have their own internal auditors, and these audits have been on time and cover all ministries and agencies. There are still discrepancies in the recording of some transactions (intergovernmental revenues, non-tax oil and gas revenue, and foreign exchange debt), but these are all within the internal auditor's materiality threshold of 0.5 percent.

Monthly budget execution reports are now generated on time, and the reconciliation mechanism between regional and local Treasury offices is now done electronically. Agency websites now offer access to contract awards above a threshold of IDR 50 million.

#### **Rating**

Substantial

### **Objective 4**

#### **Objective**

Improve efficiency, governance, integrity and transparency in the Borrower's revenue administration

#### **Rationale**

The revenue administration-related component of the project was dropped at the 2009 restructuring. There were no outputs or outcomes associated with this objective. The number of registered taxpayers increased from 19 million in 2010 to 30 million in 2014. However, the compliance rate of tax return filing remains low (59 percent in 2014), and there is no evidence of increased tax revenue.

#### **Rating**





Negligible

## 5. Efficiency

The PAD (p. 77) contained minimal economic and financial analysis, noting only that project benefits would include financial gains from minimizing idle cash balances within government agencies, and from performance improvements in revenue collection, public resource management, and execution of budgetary transactions. It explained that the major benefits were difficult to quantify.

The ICR (p. 18 and Annex 4) finds a 50% rate of return over a 15-year period using a 15 percent discount rate, with a net present value of US\$ 632 million. This is based on calculations derived from project costs net of interest savings and opportunity savings from centralized cash accounts held in the TSA at the Central Bank, and productivity/time savings from decreased reliance on manual checks and paper documentation. Costs included actual project costs, including government financing, and support from parallel projects. The net present value remains positive even at higher discount rates.

The ICR (p. 16) cites comparative studies of financial management information system implementation showing that Indonesia's investment per user and implementation time were in line with comparators with similar utilization and features. It also (p. 15) states that the Project Services Support Unit ensured that project activities were consistent with the government's anti-corruption plan and that procurement activities were consistent with the Procurement Plan. Numerous economic benefits accruing from SPAN are listed, most of which account for system rather than project efficiency.

However, there were numerous inefficiencies, as implementation was "wrought with delays" (ICR, p. 9). The hardware and software procurements for SPAN were not synchronized effectively (see Section 8a). Necessary server capacity was underestimated, and indecisiveness about procuring new servers led to delays of almost two years. There are indications that excessive risk aversion due to concern over ex-post audits (for new, higher-capacity servers and other items) created a difficult political and governance climate, with the ICR stating that "fiduciary safeguards and mitigation measures that were built into the procurement processes were not conducive to expediency" (p. 8). In addition, the contract with the SPAN developer did not specify a date for finalizing system requirements, and as a result, many additional unanticipated features were continually requested and incorporated into the system, drawing out the development process. Contention between the developer and the Ministry of Finance -- with the developer contesting new system elements, and the ministry accusing the developer of inexperience, high turnover of key staff, and failure to understand user needs -- eventually reached formal adjudication, with a US\$ 18.7 million claim against the ministry finally dropped when both parties admitted responsibility for delays. All of these challenges with the SPAN contract produced significant cost overruns.

Overall, an operation originally envisaged as a 12-year program to address both public resource management and revenue generation actually took 11 years to complete elements related just to budget planning and execution (initially scheduled as a 4.5-year first phase). Delays, cost overruns, and limited achieved benefits





compared to those originally planned indicate that, despite high estimated returns, the project did not take a least-cost approach to achieving desired outcomes. Efficiency is therefore rated Modest.

## Efficiency Rating

Modest

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 <input type="checkbox"/> Not Applicable
ICR Estimate	✓	50.00	100.00 <input type="checkbox"/> Not Applicable

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

## 6. Outcome

Relevance of both the original and revised objectives is rated High, as the objectives were responsive to country conditions, government plan, and Bank strategy. Relevance of design is rated Modest under the original objectives, as planned activities were overly ambitious and did not adequately take into account readiness for reform across all stakeholders. Relevance of design improved to Substantial at the 2009 restructuring, when objectives were narrowed only to public financial management reform and components adjusted accordingly. Achievement of the objective to improve efficiency of public financial management is rated Substantial, as the development and rollout of SPAN and TSA produced important time and cost savings. Achievement of the objective to improve integrity and transparency in public financial management is also rated Substantial, with increased automation and direct payment reducing opportunities for leakage and informality. However, achievement of the objective to improve the governance of public financial management is rated Modest, as longer-term budget planning is still not routine. There was negligible achievement of the objectives to improve efficiency, governance, integrity and transparency of revenue administration, as most planned activities in this area were not implemented and outcomes not achieved. Project efficiency is rated Modest, as the procurement of the SPAN system (accounting for the large majority of project funds) encountered significant roadblocks resulting in delays and cost overruns.

Outcome under the original objectives, with high relevance of objectives, modest relevance of design, substantial achievement of two objectives related to public financial management, modest achievement of the other objective related to public financial management, negligible achievement of all three objectives related to revenue administration, and modest efficiency, is rated as **Moderately Unsatisfactory**.

Outcome under the revised objectives, with high relevance of objectives, modest relevance of design,



substantial achievement of two objectives and modest achievement of the third, and modest efficiency, is rated as **Moderately Satisfactory**.

According to IEG/OPCS harmonized criteria, when a project's objectives are revised, the final outcome rating is determined by the percentage of disbursements under each set of objectives. In this case, the majority of funds were disbursed under the revised objectives, and therefore the overall Outcome rating is **Moderately Satisfactory**.

**a. Outcome Rating**  
Moderately Satisfactory

## **7. Rationale for Risk to Development Outcome Rating**

There is minimal risk of return to pre-SPAN business processes. Key stakeholders remain committed to use of the system, including the President of the country, who officially launched the system in front of his Cabinet. The information system department of the Ministry of Finance (PUSINTEK) has significantly increased its capacity, and is now a reliable service provider for the ministry.

However, there are significant technical and financial risks. There is no human resource policy in place that would create the basis for development and retention of staff; organizational needs for staff promotion and rotation force DG Treasury to rotate its information technology personnel out of the SPAN unit periodically, causing a continuous loss of technical expertise and experience. A strategic, long-term relationship with technology providers that would ensure proper maintenance, care, and enhancement of SPAN has not been cultivated, largely due to challenges with the government's procurement framework that make it difficult to enter into multi-year contracts with reputable service providers. Information security management has not received proper attention, and there is no business continuity plan in place in the event of a natural disaster. The SPAN system requires ongoing enhancement and operational support, and DG Treasury is exploring options to finance these activities, including a possible follow-up project. The project team added that a small facility through a trust fund is currently financing a government audit of the system; it is hoped that the resulting blueprint of needs for the next 5-10 years will provide the government and Country Management Unit with sufficient information to move forward with longer-term support.

**a. Risk to Development Outcome Rating**  
Substantial

## **8. Assessment of Bank Performance**



### **a. Quality-at-Entry**

The project incorporated lessons learned from the implementation of similar financial management information systems in other middle-income countries, including the need for high-level government commitment, a thorough needs assessment, intensive technical assistance, and rigorous supervision. It addressed the government commitment issue by focusing first on the area in which the government showed greatest interest (public expenditure). The PAD (pp. 86-108) contained the Government's Governance and Accountability Action Plan, intended to strengthen management control over the project, and to mitigate the risk of corruption, collusion, nepotism, and fraud. It identified risks arising from the fragile project governance and accountability environment and presented detailed mechanisms to address those risks. Implementation arrangements, including relevant working committees/groups, implementation units, services and support units, and a complaints handling unit, were specified in detail in the PAD (p. 57).

However, there were shortcomings. Project preparation was undertaken under considerable time pressure to lock in a very ambitious reform agenda prior to elections. The readiness of the revenue administration institutions to undertake major reforms was significantly overestimated. Inadequate ownership and commitment by these agencies led to recommendations, not heeded, at the Project Concept Note and Quality at Entry Review stages that the tax and customs reform elements of the project be dropped; negligible progress in these areas led to cancellation of the relevant subcomponents and revision of project objectives in 2009. Planning for the SPAN contract was also inadequate, with about 36 percent underestimation of costs, underestimation of necessary server capacity, and mistiming of hardware and software delivery (the hardware was delivered several years before the software application was ready, making the former outdated by the time the system was ready to become operational). These risks should have been identifiable, given the degree to which investments in information technology had been repeatedly flagged by the Bank for procurement difficulties. Moreover, the SPAN contract failed to include a number of elements necessary for effective operation: system security, independent testing prior to final acceptance, risk management, and legal advisory services. Finally, the project's results framework included several indicators with no baselines or clear targets. Because of these shortcomings, the quality-at-entry is rated as Moderately Unsatisfactory.

### **Quality-at-Entry Rating**

Moderately Unsatisfactory

### **b. Quality of supervision**

Supervision missions were conducted regularly and appropriately staffed, with stability among core specialists across the project's lifetime. The Bank team continually used the project as a vehicle to convene and coordinate multiple stakeholders within and outside the Ministry of Finance to push the reform agenda forward. It adapted effectively when it became apparent that the project's original objectives were unrealistically ambitious, shifting capacity building and revenue administration activities to the public financial management multi-donor trust fund, and as changes were needed during the development of SPAN. However, there were moderate shortcomings. The project's results framework was never updated, with non-observance of the project's numerous milestones and triggers "a common and acceptable occurrence" (ICR, p. 23). According to the ICR (p. 24), there were shortcomings with candor and quality of performance reporting (implementation progress ratings did not reflect the serious procurement challenges the project was facing) and with focus on development impact. In addition, post-implementation challenges related to staffing,



technical capacity, business continuity planning, and surge capacity were known to the supervision team but not adequately addressed.

### **Quality of Supervision Rating**

Moderately Satisfactory

### **Overall Bank Performance Rating**

Moderately Satisfactory

## **9. Assessment of Borrower Performance**

### **a. Government Performance**

The government was strongly committed to development of a modern budget and treasury system, even as the project experienced two restructurings and eight ministers of finance. Even though readiness for reform differed among the various Directorates General (DG) within the Ministry of Finance, there was top-level desire to drive comprehensive reform under a single umbrella. The Ministry effectively intervened to resolve a lengthy impasse around the SPAN procurement (disagreement between the government and the Bank over disqualification of a bidder), and a steering committee of representatives from across the ministry was critical for building consensus around the reform. The Treasury established a new directorate of Treasury Transformation to take responsibility for SPAN, employing about 100 dedicated staff. Due to differential commitments among DGs to the pace and scope of reform, the finance ministry eventually decided to proceed with tax and customs administration reform through different vehicles, leading to the restructuring that refocused the project's objectives only on public spending.

There were eight effectiveness conditions to be completed within 90 days after the loan was signed, but these took almost ten months, and some of them were waived (including a change management consultancy that might have mitigated some of the obstacles that arose). Most importantly, the DGs of Tax and Customs & Excise were ambivalent about the project from its inception, eventually resulting in cancellation of activities in their areas and revision of the project's objectives; the top echelons of the government never succeeded in compelling these agencies to fulfill their responsibilities as outlined in the loan agreement and appraisal documents (ICR, p. 26).

### **Government Performance Rating**

Moderately Satisfactory

### **b. Implementing Agency Performance**

Each of the project's nine sub-components had its own Project Implementation Unit to manage day-to-day operations, with the Unit located in DG Treasury serving as the Project Services and Support Unit for overall coordination. Many of the initial implementing units cancelled their participation in the project after the first several years, as little was accomplished and the tax and customs elements were eliminated. As the project's focus moved entirely to procurement and implementation of SPAN, DG Treasury assumed



most implementation responsibility. There was strong and consistent leadership at DG Treasury and the services and support unit across the project's lifetime. Despite numerous challenges with SPAN contracting, piloting, testing, and rollout, and the consequent delays and cost overruns, the team conducted all required tests to ensure that the functionality and reliability of the system met government requirements. There was full compliance with fiduciary covenants during implementation with internal control arrangements in place (ICR, p. 12).

### **Implementing Agency Performance Rating**

Moderately Satisfactory

### **Overall Borrower Performance Rating**

Moderately Satisfactory

## **10. M&E Design, Implementation, & Utilization**

### **a. M&E Design**

The PAD (pp. 22-31) contained a results framework specifying outcome indicators at the project level and intermediate results indicators by sub-component. Most of the specified indicators were qualitative and lacked precise baselines and targets, and there was not clear mapping of indicators to the development objectives. No management information system was set up to systematically collect data, but a timeline and institutional responsibility for data collection and analysis were noted. Triggers for movement to the second and third phases of the planned adaptable program loan were specified (PAD, pp. 33-34).

### **b. M&E Implementation**

The implementation units submitted semi-annual reports on status of all indicators throughout the entire operation in a timely manner, occasionally using the services of several different M&E consultants. The project's Implementation Status Reports did not report on M&E indicators. When the project was restructured, attention was focused on challenges related to the SPAN contract, and "the M&E arrangement was not considered to be critical to finalize the restructuring process to ensure reform momentum and project continuity" (ICR, p. 14). As a result, the project's formal indicators remained inadequate measures of progress toward achievement of objectives, and the ICR team had to bring in additional data to measure and verify progress.

### **c. M&E Utilization**

Mid-course adjustments, according to the ICR (p. 11), were made on the basis of day-to-day, informal interaction between the Bank team and government counterparts, not due to data and analysis emerging from the formal M&E system.



## **M&E Quality Rating**

Modest

## **11. Other Issues**

### **a. Safeguards**

The project was environmental category "C." No safeguard policies were triggered.

### **b. Fiduciary Compliance**

**Financial management:** There was full compliance with the Bank's fiduciary policies. Financial management systems were in place and performed in a satisfactory manner, though there were some implementation inefficiencies resulting from intensive review of payment requests and demands for documentation. Auditors expressed an Adverse Opinion for the FY 2013 project audit due to a dispute on accounting principles and adequacy of supporting documents. Immediate action was taken to provide necessary documents and improve systems, and auditors provided clean opinions on all project financial reports from that point forward.

**Procurement:** Procurement of the SPAN information system represented 70 percent of project disbursements. It was complex and took five years to complete. An independent verification and validation consultancy was introduced to support the Ministry of Finance and other stakeholders to handle complex procurements and contract management, and this consultancy was essential to customization of commercial off-the-shelf software for SPAN. Nonetheless, a number of other procurement packages not related to SPAN were ultimately cancelled because of issues between the Bank and government teams (ICR, p. 32). For example, during a single-sourced consultancy package in a procurement for the Tax Court, government auditors disregarded the Bank's advice and no-objection, overriding Bank procurement guidelines and leading to procurement failure. In addition, throughout project implementation, procurement evaluation committees were very conservative because of the personal liability of committee members on procurement decisions, producing significant delays in implementation, disqualification of potentially well qualified bidders, and the need for repeat processes.

### **c. Unintended impacts (Positive or Negative)**

None reported.

### **d. Other**

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## 12. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Satisfactory	Moderately Satisfactory	---
Risk to Development Outcome	Substantial	Substantial	---
Bank Performance	Moderately Satisfactory	Moderately Satisfactory	---
Borrower Performance	Moderately Satisfactory	Moderately Satisfactory	---
Quality of ICR		Substantial	---

### 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 ICR (pp. 29-32) includes detailed and insightful lessons, including:

A single project is often not adequate to encompass complex reform across multiple agencies, even when high-level political commitment is strong. In this case, reforms of revenue and expenditure agencies were eventually de-linked, as institutional readiness for the latter was considerably stronger.

Information technology procurements will always turn out to be more complicated than originally envisaged. In this case, it would have been preferable to front-load the SPAN procurement activities, with approval of all technical specifications for the core contract a condition for going to the Board. In all cases, a detailed project procurement strategy should be in place during preparation to guide market approach, selection methods and arrangements, sequencing, and risk management.

A well-conceived exit strategy, built into a project at the design stage, can ensure project sustainability beyond implementation. In this case, achieved outcomes are at risk due to technical and human resource considerations that were foreseeable and could have been mitigated through prior planning.

## 14. Assessment Recommended?

No





## 15. Comments on Quality of ICR

The intensive learning ICR begins with a concise and data-rich executive summary, providing a useful overview of this long and complex project. The ICR focuses explicitly on demonstrating the theory of change linking the project's activities and outcomes. The document is thorough yet efficient in its presentation of the project's preparation and implementation experience. It effectively harnesses data outside the project's formal results framework to assess achievement of objectives. However, there is some repetition of text, and key elements of the project's storyline are occasionally difficult to locate.

Finally, the ICR could have done more to build on its assertion that the underlying theory of change was that improvements in public financial management would contribute to economic growth and poverty reduction (ICR, p. 1). While the project's results framework itself did not capture such high-level outcomes, there was reportedly other ongoing work that might have been tapped. Collecting some evidence connecting the public financial management results achieved by this operation with improvements in service delivery would help to confirm that the theory of change was correct. Additional evidence to support this might be collected with a comprehensive public expenditure review, as well as public expenditure tracking studies in key sectors.

### **a. Quality of ICR Rating** Substantial