



## 1. Project Data

<b>Project ID</b> P127319	<b>Project Name</b> LR-Integrated PFM Reform		
<b>Country</b> Liberia	<b>Practice Area(Lead)</b> Governance	<b>Additional Financing</b> P156384	
<b>L/C/TF Number(s)</b> IDA-50260,TF-12390,TF-A2366	<b>Closing Date (Original)</b> 30-Jun-2016	<b>Total Project Cost (USD)</b> 28,549,000.00	
<b>Bank Approval Date</b> 15-Dec-2011	<b>Closing Date (Actual)</b> 30-Jun-2017		
		<b>IBRD/IDA (USD)</b>	<b>Grants (USD)</b>
Original Commitment		5,000,000.00	20,663,158.00
Revised Commitment		5,000,000.00	20,443,196.46
Actual		4,847,787.48	20,443,196.46
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## 2. Project Objectives and Components

### a. Objectives

The Project Development Objective (PDO) as set out in the Financing Agreement (page 5) was *to improve budget coverage, fiscal policy management, financial control, and oversight of government finances of the Recipient.*

The PDO as set out on page 7 of the Project Appraisal Document had substantively the same formulation.

The achievement of objectives will be assessed separately for (i) budget coverage, (ii) fiscal policy



management, (iii) financial control and (iv) oversight of government finances.

**Theory of change.** The PDO was to be achieved by reform actions affecting its four objectives:

- Improved *budget coverage* was to be achieved by bringing in extra-budgetary donor financing into the budget; and by gradually establishing a budget process that includes all central government ministries and agencies, and counties;
- better *fiscal policy management* was to be achieved by better budget planning systems, improved budget coverage and increased credibility; this would be done by introducing the analytical tools and creating the capacity to prepare a medium term fiscal framework, a fiscal policy review and monitoring framework extending to all central government ministries and agencies; reflected in increased revenue collections, and closer correlation between revenues, budget appropriations and expenditures;
- improved *financial controls* were to be achieved by more effective controls on payrolls and non-salary expenditures; this would be done by upgrading the skills of relevant procurement and auditing staff, and consolidating all government accounts in a Treasury Single Account;
- improved *oversight of government finances* was to be achieved through better prepared and more timely annual financial statements, a stronger external audit function, and legislative scrutiny of external audit reports.

The project did not include a results framework describing the results chain.

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

No

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

No

**d. Components**

The Integrated Financial Management Reform Project (IFMRF) had five components:

**Component 1: Enhancing Budget Planning Systems, Coverage, and Credibility** (estimated cost at appraisal US\$1.84; actual cost US\$1.84). The component was to establish comprehensive budget coverage, and strengthen fiscal policy and budget management at all levels of government. It had three sub-components:

**Sub-component 1.1: Enhanced macro-fiscal framework.** The sub-component was to establish analytical tools and capacity to prepare a medium-term fiscal framework (MTFF) and revenue forecasts as a context for budget management.

**Sub-component 1.2: Fiscal reporting and fiscal policy review.** The sub-component was to establish fiscal operations reports as a basis for regular fiscal policy review; and a fiscal monitoring framework for state-owned enterprises (SOE) that helps to identify fiscal risks related to SOEs. These



measures were to draw on the country's integrated financial management information system (IFMIS) that previously had been put in place.

**Sub-component 1.3: Enhanced budget framework.** The sub-component was to build capacity for medium-term budgeting, and establish an orderly, realistic budget process that includes all central government ministries and agencies, and counties. It would also explicitly incorporate gender budgeting into the national budget system to strengthen government commitments to gender equity and equality.

**Component 2: Strengthening the public financial management (PFM) legal framework, budget execution, accounting and reporting** (estimated cost at appraisal US\$10.26 million; actual cost US\$12.25 million). The component was to strengthen the legal basis for budget management while ensuring that the budget is executed as planned, and the quality of information on fiscal operations is improved for more informed government decision-making. It had six sub-components:

**Sub-component 2.1: Review of PFM legal framework.** The sub-component was to support ongoing reviews and updating of the existing PFM; and building an understanding of the legal framework among ministries and agencies, and civil society organizations.

**Sub-component 2.2: Roll-out of the IFMIS to ministries and agencies.** The sub-component was to extend IFMIS functionality to ministries and agencies, and on a phased basis, to donor-funded projects. It will also complete the implementation of the payroll system under IFMIS.

**Sub-component 2.3: Strengthening financial standards, accounting and reporting.** The sub-component was to strengthen the application of international standards of accounting and reporting to the financial management framework.

**Sub-project 2.4: Treasury, cash, debt and aid management.** The sub-component was to incorporate all funds defined in the current PFM act in a Treasury single account (TSA) held at the Central Bank of Liberia (CBL) to improve the efficiency and effectiveness of the Government's cash and debt management.

**Sub-component 2.5: Establishment of county treasuries.** The sub-component was to establish basic financial management and fiduciary control in all 15 counties in support of the Government's gradual decentralization policy.

**Sub-component 2.6: Donor project financial management/use of country systems.** The sub-component was to establish a direct linkage between the Project Financial Management Unit (PFMU) and IFMIS to achieve increased use of country financial management systems.

**Component 3: Revenue mobilization and administration** (estimated cost at appraisal US\$5.38 million; actual cost US\$5.38 million). The component was to complement ongoing efforts to improve the efficiency and integrity of revenue administration and increase domestic revenues of central government entities, and integrate revenue systems with overall PFM. It had three sub-components:

**Sub-component 3.1: capacity development of customs.** The sub-component was to complement on-going customs automation by providing requisite hardware and operational expenses not funded through other donor support. It also was to provide training on customs administration, and meet logistical requirements of rural collections teams.

**Sub-component 3.2: Tax automation.** The sub-component was to strengthen tax collection by improving rural collection sites, and facilitate the roll-out of an integrated tax automation system.

**Sub-component 3.3: Establishment of a revenue authority.** The sub-component was to establish an independent revenue authority to facilitate policy implementation and improve revenue collection. The authority was to serve as a catalyst to facilitate implementation of key reforms for higher efficiency



and revenue growth.

**Component 4: Enhancing transparency and accountability** (estimated cost at appraisal US\$6.23 million; actual cost US\$7.09 million). The component was to improve transparency and accountability in PFM by increasing the Government's ability to report and account for the revenue it collects and for public expenditures; and strengthen the oversight function of the General Auditing Commission (GAC) and the legislature. It had five sub-components:

**Sub-component 4.1: Strengthening public procurement oversight.** The sub-component was to strengthen the public procurement authority and support the establishment of transparent, competitive, and efficient public procurement processes in government.

**Sub-component 4.2: Strengthening internal audit and controls.** The sub-component was to develop an effective, independent, and objective audit function that ensures adequate ministry and agency management oversight of their internal controls.

**Sub-component 4.3: Strengthening external audit.** The sub-component was to strengthen the financial oversight role of the General Auditing Commission (GAC) and improve financial compliance by expanding the scope of external audits, and strengthen the follow-up and response to audit findings.

**Sub-component 4.4: Enhancing legislative oversight.** The sub-component was to enhance the capacity of the legislature to apply appropriate standards of PFM accountability to the executive branch. It was to focus on the Public Accounts Committee and complement other donor support to strengthen the oversight function.

**Sub-component 4.5: Civil society and social accountability.** The sub-component was to strengthen the capacity of non-state actors as critical watchdogs in ensuring transparency and accountability in the use of public finances. It was to establish a platform for information-sharing between government and the public; build capacity among non-state actors; promote advocacy; and offer media training.

**Component 5: Program governance and project management** (estimated cost at appraisal US\$4.84 million; actual cost US\$5.29 million). This component was to provide a robust project and program management function. It had four sub-components:

**Sub-component 5.1: Program coordination.** The sub-component was to coordinate the delivery of outcomes under each component, operating through the PFM Reform Coordinating Unit (RCU).

**Sub-component 5.2: Institutional and capacity building.** The sub-component was to strengthen PFM and procurement training and human resources MIS development to enhance the capacity of the civil service. It supports the government's capacity building implementation framework, which will guide the implementation of institutional and capacity building initiatives.

**Sub-component 5.3: Monitoring and evaluation and change management.** The sub-component was to monitor, evaluate and review progress on all project components and sub-components; identify issues; develop effective change management strategies; and communicate key aspects of progress to the public.

**Sub-component 5.4: Project fiduciary.** The sub-component was to ensure that funds advanced for project execution were used for purposes intended, and with efficiency and economy. It was to focus on building procurement capacity within the PFM RCU for the implementation of PFM reforms in general.

#### **Revised components**

There were no revisions to the project. A restructuring was undertaken in May, 2016, as the project



was extended by a year with the addition of US\$3.0 million from the European Union. The resources were allocated to Components 2 and 4. This was expected to extend the roll-out of the IFMIS to additional ministries and agencies; allow the migration of additional donor-financed projects onto IFMIS budget modules; support an additional number of county treasuries; and enhance the capacity of non-state actors to monitor budget planning.

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

Project cost. Total project costs at appraisal were estimated at US\$28.55 million. Actual costs were US\$31.85 million.

Financing. The project was financed by a multi-donor trust fund of US\$18.9 million from the Swedish International Development Agency – US\$15.1 million; USAID - US\$4.1 million; an IDA Credit of US\$5.00 million; and an African Development Bank Grant of US\$4.60 million. In addition, the European Union Commission supported the project with a US\$2.5 million trust fund arrangement through the Bank.

Dates. The Credit was approved on December 15, 2011, with an original Closing Date of June 30, 2016. At restructuring on May 10, 2016, the Closing Date was extended to June 30, 2017, at which time it closed.

### **3. Relevance of Objectives**

#### **Rationale**

The project objectives are relevant to the country situation, and to Government and Bank strategies. Widespread corruption is seen as a major factor contributing to social instability and civil war in Liberia, and weak public financial management as a key contributor. Here, the project was to support and expand on public financial management reforms that had been introduced with the help of key donors, including the IMF and the Bank; and that are expressed in the country's PFM reform strategy. At the time of project development, the reform agenda was aiming at strengthening institutional capacity for better financial management across government ministries and agencies. This remains a primary Government concern and is reflected in a continued focus on further improving public institutions and processes as reflected in its current Poverty Reduction Strategy. It is also an aspect of the Bank's continued focus on governance. The current Country Assistance Strategy, CAS (FY13 – FY17), recognizes the challenge and while much progress has been made in improving public financial management, more needs to be done. Consequently further efforts to improve public sector processes remain one of the pillars of the Bank's governance strategy. While there is no more recent CAS than the FY13/FY17 one, public sector financial management is likely to continue to remain an important theme in the Bank's assistance strategy.



## Rating

Substantial

## 4. Achievement of Objectives (Efficacy)

### Objective 1

#### Objective

improve budget coverage

#### Rationale

All of the assessments draw on rankings developed under an International Public Expenditure and Financial Accountability Assessment (PEFA) conducted jointly by the major donors, including the Bank and the IMF in 2008.

Donor-funded activities continued to be outside the government's financial statements, amounting to some 15.7 percent of budget spending in 2017. The PDO indicator on the extent of unreported government operations remained at the baseline of D+, compared to a target of B+.

## Rating

Negligible

### Objective 2

#### Objective

improve fiscal policy management

#### Rationale

The budget preparation module procured under the project as part of IFMIS is not yet operational. Budget preparation, execution and fiscal reporting modules are still entered manually into the system, increasing the chance of continued variance between budget submissions and appropriations.

While the macro-fiscal unit in the Ministry of Finance has been put into place, and staff have been trained and equipped, the unit is not yet operational.

Budget reliability has improved but falls short of targets:

- the variance between appropriations and expenditures has improved from a baseline of 10 percent to 6.4 percent, falling short of the target of 5 percent
- the variance between revenue forecasts and actual revenues has deteriorated from a baseline of 5 percent to 8.2 percent



Elements of a MTEF have been introduced, but the MTEF is not yet a useful budgeting tool, essentially due to the absence of strategic plans in most ministries; where strategic plans exist the linkages to budgeting are weak; and changes in multi-year budgets are unsubstantiated.

In summary, progress has been made in key areas of fiscal policy management, but the process still reflects teething problems. In particular, this is the case with the budget module and the macro-fiscal capacity provided under the project. Drawing on PEFA ratings, fiscal policy management has improved from a baseline rating of D+ in 2015 to C+ at project closing, compared to a target of B.

**Rating**  
Modest

### **Objective 3**

#### **Objective**

improve financial control

#### **Rationale**

Financial management and procurement skills were enhanced as 132 people earned degrees in business administration and 112 in public procurement, against a target of 60 in each category.

Increased staff capacity in financial management combined with initial roll-out of the IFMIS to some 50 ministries and agencies, and the establishment of operational treasury units in four counties, should have improved internal controls over part of the payment system in line with initial targets (the original results framework envisaged that some 40 ministries and agencies would be issuing monthly expenditure reports. However, the failure to establish a Treasury Single Account (TSA), which would be a prerequisite for a robust cash management system, reduces the impact of increased staff capacity and an expanded IFMIS. In summary, some improvements in financial (and payment) controls were achieved as indicated by an increase in ranking from a baseline of D+ to C+ for payroll controls, while effectiveness of non-salary controls remained at C+.

**Rating**  
Modest

### **Objective 4**

#### **Objective**

improve oversight of Government's finances

#### **Rationale**

Quarterly fiscal reports are prepared and disclosed, albeit with delays. Annual financial statements are





prepared and submitted to the auditor general within six months of the end of the year and audited. An external oversight process of the budget had been established, involving the general auditing commission, and the public accounts committee of the legislature. Accounts for 2011-2015 have been endorsed by the legislature, but public hearings have not been organized nor has the legislature provided final endorsement to the reports.

Competitive procurement methods and transparency has been strengthened by the establishment of an online procurement database, and by building procurement capacity among ministries and agencies through training.

A state-owned enterprise (SOE) oversight function has been established to monitor the financial standing of SOEs, covering 15 of the 39 largest SOEs, in line with the project target, and drawing on performance contracts.

Civil society was engaged, by training over 100 non-state actors in public financial management.

In summary, the project improved the timeliness and quality of financial statements, their external scrutiny, and general oversight. While indicators for the external audit and legislative scrutiny of external audit reports were not met within the project period, procurement oversight, SOE reporting and financial reporting were substantively on target.

## **Rating**

Substantial

## **Rationale**

### **Overall Efficacy Rating**

Modest

### **Primary reason**

Low achievement

## **5. Efficiency**

The PAD and the ICR both note that traditional measures of efficiency are not practical because benefits were difficult to quantify. Instead, efficiency is assessed on the basis implementation efficiency. While the project as a whole did not overspend, and the extension of the closing date reflected the introduction of EU participation, modest efficacy points to problems with project management and coordination, where significant (41 percent and 283 percent) overspending occurred. In part, this may reflect the complexity of the project, and in part an overburdened reform organization (the reform coordination unit) that was charged with not only project implementation, but the implementation of the overall reform.





## 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		0	0 <input type="checkbox"/> Not Applicable

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

## 6. Outcome

Project relevance was rated **substantial**, reflecting its alignment with both government and Bank policy and strategies. Efficacy was rated **modest** overall, with the four sub-objectives rated **negligible, modest, modest, and substantial**, respectively. Efficiency was rated **modest**.

### a. Outcome Rating

Moderately Unsatisfactory

## 7. Risk to Development Outcome

The project and its development outcomes are firmly grounded in the Government's public financial management strategy. It helped put in place a number of institutions and partly completed others. A follow-up project is also underway. Risks appear mainly to be linked to budget limitations on training, recruiting and maintaining qualified staff. Such risks are expected to be moderated by the follow-up project.

## 8. Assessment of Bank Performance

### a. Quality-at-Entry

The project was grounded in the Government's reform strategy, and was designed to build a foundation for institutions and processes for public financial management. Preparation recognized the very limited



capacity and absence of institutions in government, and therefore emphasized training and roll-out of information systems. Efforts were made to draw donors into the design and implementation process. That said, the project does appear ambitious when a situation where “Liberia did not have any structures or architecture for sound PFM practices” I juxtaposed with the broad scope of the project. The substantial cost overruns in governance and management components would seem to underscore this. The results framework reflected the broad scope of the project, while at the same time being unclear regarding the logic chain of how program inputs were to achieve changes in outcomes through activities and outputs.

**Quality-at-Entry Rating**  
Moderately Unsatisfactory

**b. Quality of supervision**

The ICR (page 23) provides a mixed picture of the supervision effort. While routine missions and reporting was timely, and fiduciary compliance was ensured, the team appears not to have been sufficiently alert to lack of progress on PDO indicators, which was reflected in relatively generous ISR ratings. On the positive side, the team did ensure good collaboration with other donors, and was awarded a regional “excellence in collaboration” recognition.

**Quality of Supervision Rating**  
Moderately Unsatisfactory

**Overall Bank Performance Rating**  
Moderately Unsatisfactory

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

**a. M&E Design**

While the objectives were clearly specified, the theory of change was not well reflected in the results framework. The key outcome indicators were not clearly linked to outcomes of the PDO statement. That said, all of the indicators were specific, where appropriate, measurable, relevant and time-bound. Baselines and targets were available for all key outcome indicators. Progress was to be monitored on a continuous basis by the Government’s reform coordinating unit and relevant implementing agencies. Annual self-assessments of key indicators, based on a donor-supported public expenditure and accountability assessment, and periodic assessments by independent assessors, were going to inform project progress.



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

Reviews of implementation progress against were taken annually against indicators included in the results framework and compared against baselines. That said, the absence of clear linkages between activities, outputs and outcomes in the results framework may have made it difficult to assess the effects of activities on outcomes.

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

Information on implementation progress was to provide strategic guidance to enable the project to achieve its strategic objectives. However, the ICR indicates that there is little evidence that the M&E framework was used as a management tool. This does, however, seem to be an unlikely conclusion. While achievements under the project fell short, this may well have been due to the ambitious scope of the project, as well as insufficient action on signals from the M&E system.

### **M&E Quality Rating**

Modest

## **10. Other Issues**

### **a. Safeguards**

The project was rated environmental category “C” with no social or environmental safeguards triggered.

### **b. Fiduciary Compliance**

**Financial management.** The ICR notes that the project complied with fiduciary arrangements. It submitted quarterly interim unaudited financial reports and annual financial statements on time and in an acceptable format. A review in 2017 found US\$97,000 potentially ineligible expenditures. This was expected to be addressed by the Ministry of Finance by end-2017, after project closing.

**Procurement.** There were no procurement-related covenants in the FA

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

Not applicable



d. Other

Not applicable

## 11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Unsatisfactory	Moderately Unsatisfactory	---
Bank Performance	Moderately Unsatisfactory	Moderately Unsatisfactory	---
Quality of M&E	Modest	Modest	---
Quality of ICR		Substantial	---

## 12. Lessons

Lessons are drawn from the ICR:

**Complex project design should be avoided especially in low capacity environments**, and development partners and Government efforts should be carefully sequenced and aligned. The fact that the project had five components, twenty subcomponents with a number of activities under each subcomponent had caused problems related with coordination and also dilution of government focus. The consolidation of project activities into few major areas with clear responsibility on the Government side would make the implementation easier. In order to avoid overly complex and ambitious design, the PFM reforms should be sequenced starting with ensuring basic financial controls and ordinarily annual budget process, and addressing more advanced reforms such as MTEF or fiscal risk monitoring during follow up operations.

**Teams should avoid using composite indicators like PEFA that are not designed and managed for project-level M&E purposes.** PSMP II's efforts to use innovative, CPIA-based indicators in order to reduce M&E costs proved to be unworkable in practice because the data was not sufficiently granular to capture project-level impacts and were subject to unanticipated adjustments to methodology. Indicators based on project-generated data and produced on a regular basis may be best suited for public sector reform projects. The results framework's intermediate indicators should be streamlined to reduce the administrative burden, and facilitate the client's efforts to monitor and report on their progress. PEFA assessment could be used to assess overall impact of the reform, but not project implementation. The results indicators should be more focused on the specific capacity and system performance issues that will be addressed under the project.

**M&E should be a management tool for any project, not a compliance exercise.** Teams should continually review and explain to internal and external audiences how project interventions are expected to lead to results and impacts of importance. As part of the constant dialogue around the results chain, the project results framework should be reviewed and updated periodically,



### **13. Assessment Recommended?**

No

### **14. Comments on Quality of ICR**

The ICR generally provides an adequate basis for assessing the program. With the exception of M&E, items were well presented, and the design of the results chain was valuable. The write-up was results-oriented, and the document internally consistent, and consistent with OPCS guidelines.

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