Report Number : ICRR0020454

1. Project Data

Operation ID P117279	**Operation Name** LR- RRSP 3 - Budget Support	
Country Liberia	**Practice Area(Lead)** Macro Economics & Fiscal Management	
L/C/TF Number(s) IDA-H6240	**Closing Date (Original)** 30-Jun-2011	**Total Financing (USD)** 11,000,000.00
Bank Approval Date 30-Sep-2010	**Closing Date (Actual)** 30-Jun-2013	

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	11,000,000.00	0.00
Revised Commitment	11,084,576.00	0.00
Actual	11,485,200.00	0.00

Prepared by	Reviewed by	ICR Review Coordinator	Group
Jose M. Rodriguez Alvarez	Robert Mark Lacey	Lourdes N. Pagaran	IEGEC (Unit 1)

2. Project Objectives and Policy Areas

a. Objectives

The Program Document, dated September 13, 2010 (p. 40), states that the objectives of the proposed grant are to support government-owned ongoing reforms to strengthen governance and improve the environment for private sector-led growth that is more broadly shared. More specifically, the Third Reengagement and Reform Support Program (RRSP-III) focuses on: (i) improving budget planning and execution; and (ii) improving land administration to reduce conflict and enhance the investment climate.

b. Were the program objectives/key associated outcome targets revised during implementation of the series?

No

c. Pillars/Policy Areas

The operation aimed to support the Government's reform program under two Policy Areas (Program Document, p. vi):

1. Improving budget planning and execution.

This area included two actions:

a) The preparation by the Ministry of Finance (MoF) and the approval by the Cabinet of a multi-year budgeting strategy that would allow the government to place the annual budget in the context of the medium-term fiscal framework for the Poverty Reduction Strategy (PRS), taking into account the multi-year nature of investments, and help reduce the variance between budget and actual out-turns through the discipline it would bring to the overall budget process.

b) The adoption of International Public Sector Accounting Standards (IPSAS-cash basis) and adoption of public finance management enabling regulations and manuals based on the new Public Financial Management Act.

2. Improving land administration to reduce conflicts and enhance the investment climate.

The program supported the establishment and adequate resourcing of a Land Commission to identify, guide and facilitate reforms in land policy, law and program, as a significant step toward improving the environment for investment in Liberia, and the establishment of a working system to promote the reconciliation of land disputes.

d. Comments on Program Cost, Financing, and Dates

The RRSP III was approved on 09/30/2010, became effective on 11/16/2010, and closed on 06/30/2013. Originally the closing date was 06/30/2011 The disbursed amount was XDR7.5 million (US$11.485 million).

Initially, the design consisted of two operations: RRSP-III and RRSP-IV. RRSP-IV was approved by the World Bank Board on 10/18/2011, thirteen months after the approval of RRSP-III, when all prior actions and triggers were met, and its closing date was extended to 12/31/2012 at the Government's request. However, the legislature delayed the ratification of RRSP-IV until it was finally cancelled by the Bank on 06/30/2013. According to the ICR, the legislature disagreed with the Bank's policy of changing the second operation of the programmatic series from a grant to an IDA credit. The shift would have been consistent with Liberia's change from a high risk debt distress country to a low risk following attainment of the HIPC Completion Point.

3. Relevance of Objectives & Design

a. Relevance of Objectives

The Objectives of RRSP-III were relevant to Liberia's development priorities as expressed in the Joint Country Assistance Strategy (JCAS) of the World Bank with the Africa Development Bank for the period 2009-2012, and Liberia's Poverty Reduction Strategy (PRS), which were closely aligned between each other.

The 2009-2012 JCAS, which was designed to support Liberia's transition from post-conflict recovery to long-term development country, focused on three strategic objectives: (i) rebuilding core state functions and institutions; (ii) rehabilitating infrastructure to sustain economic growth; and (iii) facilitating pro-poor growth. These objectives are fully aligned to Pillars II, III, and IV of the government's PRS.

The program directly supported JCAS goals, including continuing and deepening government-owned policy reforms to rebuild core state functions and institutions and support private sector development. The proposed land administration reforms were particularly relevant considering that the lack of legal recognition of customary rights to land in Liberia, which affects more than half of the population, had been one of the drivers of the long civil war and one of the main sources of court disputes in the post-conflict era.

The objectives remain highly relevant to the World Bank Group's Country Partnership Strategy (CPS) 2013-2017. Pillar III (Governance and Public Institutions comprises among its objectives Public Financial Management, including procurement, to "strengthen public institutions to ensure that revenues and government assets are well managed, free from corruption and monitored", and "Land administration: Develop comprehensive national land tenure and land use system that will provide equitable access to land and security of tenure to facilitate inclusive, sustained growth and development, ensure peace and security and provide sustainable management of the environment".

Rating

High

b. Relevance of Design

The Policy Matrix (Program Document pp.39-43 and Annex 3) presents a clear and convincing logical chain between objectives, prior actions, triggers, and expected results. Overall, the operation supported a coherent set of reforms consistent with the PDOs. For example, in the area of Public Financial Management, one Prior Action was the adoption of International Public Sector Accounting Standards (IPSAS-cash basis) and Public Financial Management tools to enable the adoption of regulations and manuals based on the new Public Financial Management (PFM) law; the Program Trigger for RRSP-IV was "Internal Audit Units established and well-resourced in terms of staffing and operational budget in 5 high risk Ministries and agencies using General Auditing Commission (GAC) risk profile and producing quarterly internal audit reports for the Internal Audit Governance Board"; the Related HIPC Completion Point Trigger was "to complete successive annual external audits of five key government ministries (Health, Education, Public Works, Finance and Lands, Mines and

Energy) prepared under the authority of the General Auditing Commission, submitted to the Parliament and disclosed publicly", and the expected end of program outcome was "Financial accounting and audits in line with international standards". In the case of land reform, the Prior Action was "establish and adequately resource a Land Commission to identify, guide and facilitate reforms in land policy, law and program"; the Program Trigger for RRSP-IV the "completion of assessment of the legal framework for land (both statutory and customary law) to determine amendment required to existing land laws"; and the expected end program outcome an "increased efficiency in the registration of property".

With respect to Liberia's macroeconomic policy framework, despite significant postwar recovery, the 2008-09 global financial crisis brought serious challenges to Liberia's economy. At the macro level, the global crisis resulted in a much weaker economy than that envisaged under the PRS, which expected an average annual growth of 11.5 percent over the period 2008-2010. However, as a result of the global financial crisis, lower exports levels, investment, and demand in the domestic economy due to reduced remittances, and credit resulted in a growth of 5.9 percent over the same period. The fiscal space was severely eroded because of the lower economic activity, and the trade balance and overall balance of payments also deteriorated. The RRSP III operation therefore provided timely financial support to the government in the context of a severe global environment. The amount of the grant was increased from US$5 million to US$11 million through the addition of US$6 million from the Crisis Response Window (CRW) to help mitigate the ongoing effects of the global slowdown on key priorities reflected in the PRS. Liberia also entered a Poverty Reduction and Growth Facility/Extended Fund Facility (PRGF/EFF) program with the International Monetary Fund (IMF) in March 2008, enabling Liberia to clear its arrears to the IMF.

Rating
Substantial

4. Achievement of Objectives (Efficacy)

Objective 1
Objective
Improving budget planning and execution

Rationale
Under this objective, the program supported (i) the preparation of a multi-year budgeting strategy; and (ii) the adoption of International Public Sector Accounting standards and of enabling regulations and manuals for the new PFM Law.

Until June 2010, Liberia's budgets were single-year budgets and there was no medium-term expenditure framework. In June 2010, the Cabinet of the Government of Liberia adopted a multi-year budgeting strategy. Since then, the government has been implementing its multi-year budgeting strategy that places the annual budgets in the context of the medium-term fiscal framework**.** Although the budget prepared for 2010/11 was still a one-year budget, for the first time it was cast in a medium-term context set out in the Budget Framework Paper published on the Website of the Ministry of Finance. As a component of the PRS, the government undertook a three-year costing exercise, yielding costing estimates by fiscal year and sector required to meet the PRS objectives. It also provided estimates of the anticipated budgetary resources to be devoted to the PRS objectives, making a first step towards a multi-year budget.

The target for a reduction in the difference between out-turn and legislated budget for each Ministry from a baseline of 16 percent (FY 09/10) to 10 percent (FY 10/11) was exceeded, since the average budget deviation for FY10/11 was 8.4 percent. The ICR does not provide information about FY11/12. In FY12/13, the average budget deviation at 11.6 percent exceeded the target, but it fell again in FY14/15 to 7.6 percent.

The target of complete compliance with the International Public Sector Accounting Standards (IPSAS) for the FY09/10 financial statement was partially met because the statement for was only submitted for external audit in November 2011, 17 months after the closing of the fiscal year.

According to the ICR, the 2012 Public Expenditure and Financial Accountability Assessment (PEFA assessment) found significant improvements compared to the 2007 PEFA. These were, however, limited to only nine out of thirty assessed PEFA indicators, of which sixteen remained constant and five worsened. The quality and timeliness of annual financial statements experienced a modest improvement after five years (from D to D+).

In summary, this objective was partially attained, the main achievement being the reduction of the difference between out-turn and legislated budget, although even this shows considerable year-to-year variance.

Rating
Modest

Objective 2
Objective
Improving land administration to reduce conflicts and enhance the investment climate

Rationale
The program supported the establishment of a Land Commission to identify, guide and facilitate reforms in land policy, laws and programs. This Commission was launched in March 2010. Since its establishment, the Commission has: (i) developed interim policy guidelines and procedures as a pre-condition to the lifting of the moratorium on the sale of public land by the government; (ii) completed an inventory of land dispute cases in Circuit and Magisterial Courts in five counties, and; (iii) conducted consultations in all 15 counties to build awareness of its mandate.

The number of land disputes, representing 1183 cases by 2010, dropped by 56 percent (556) at the end of 2011, exceeding the target of 50 percent. In 2012, the number of land disputes dropped further to 318 cases, and by 2013 only 92 disputes were reported.

According to the Bank task team, the percentage of land deeds consolidated in the National Archive rose from a pre-program baseline of 65 percent to 85 percent in 2011, and to 99% in 2016. This achievement is noteworthy in the context of a country where more than half of the total population of 4.5 million lives in areas where the property system is customary tenure.

The percentage of digitalized deeds filed in the National Archive, rose to 90 percent in 2011 and further to 95 percent in 2016, compared to a baseline of zero in 2009. This was well in excess of the program target of 75 percent.

Rating
Substantial

5. Outcome

Relevance of objectives is rated high and is well aligned with Government and Bank strategy. Relevance of design is rated substantial. Progress in budget planning and execution was mixed, with the only real achievement being a reduction of the average difference between the legislated budget and the actual out-turn. The efficacy of the first objective is therefore rated modest. However, that of the second objective is rated substantial. There were important achievements in the area of improved land administration – the number of land disputes fell significantly following the program, while the consolidation of land deeds and the percentage of digitalized deeds registered in the National Archives both rose significantly.

a. Outcome Rating
Moderately Satisfactory

6. Rationale for Risk to Development Outcome Rating

The specific reforms achieved under the operation are likely to be sustained, particularly because they have been fully owned by the Government and have already begun to have some tangible demonstration effects, particularly in the case of the land administration policy. Notwithstanding this positive outcome and the government’s commitment, Liberia, as a fragile, post-conflict state, is vulnerable to many domestic and external shocks, which could adversely affect the sustainability of the reforms.

The most significant risks are political, macroeconomic, and fiduciary, and there are also risks associated with reform implementation. To mitigate the political risk, the government is currently engaged in an inclusive communication process to explain its policy positions and to build support from civil society for the reforms. The macroeconomic risk is related to the economy's dependence on export of commodities and on imported food and fuel, all of which are vulnerable to external shocks, particularly in a country with limited fiscal space and a low level of international reserves. So far, these risks have been mainly mitigated by the Government's prudent fiscal stance. The overall fiduciary control environment remains fragile, despite the progress made in improving economic governance, The most effective mitigating measure in this regard has been the improvement in financial management and procurement systems and procedures, supported by the World Bank and other external partners. Implementation capacity remains weak despite recent capacity building efforts. There is considerable reliance on external consultants and short-term appointments to senior civil servant positions, but these remedies are not sustainable over the long-term. There is a need to intensify training efforts already supported by external partners.

a. Risk to Development Outcome Rating

Substantial

7. Assessment of Bank Performance

a. Quality-at-Entry

Quality at entry was underpinned by the close alignment of the operation with the WB JCAS and the Government's PRS. The reforms supported by the operation were critical elements of the Government's strategy, strongly supported by the MoF in donors' fora. Considering the weak implementation capacity of the Government, significant efforts were adopted to limit the number of prior actions, as jointly agreed by the World Bank and the Government, taking also into account the input from other external partners.

The design of RRSP-III drew on lessons from previous operations, particularly from the two previous Reengagement and Reform Support Program Grants (Program Document, pp. 38-39). These include: (i) the embedding of the reforms into the government's own program articulated in the PRS; (ii) the focus on a few carefully selected prior actions that, in an environment of limited capacity, are deemed essential for keeping the overall governance reform program on track; (iii) the careful selection of prior actions that are likely to open the door for other important policy and institutional reforms; (iv) the assessment of key risks to the individual policy and institutional reform measures to be undertaken and to be proactive in the application of mitigating measures; and (v) the Bank's effective support to policy and institutional reform operations can be substantially enhanced by its complementarities with other Bank financed operations, particularly technical assistance.

The design was also closely coordinated with the technical assistance from the African Development Bank, the IMF and other external partners, benefiting not only from the complementarity with the technical assistance operations, but also from the wider cross-sectoral policy dialogue.

The IDA grant instrument was appropriate to provide support to structural reforms of relevant public policies and programs with a substantial institutional and/or sectorial policy dimension. The task team also provided a good analysis of the diverse and complex risks existing in a post-conflict country and suggested appropriate mitigation measures. The results framework was also appropriate and clear, based on indicators well aligned with the PDOs. However, the task team had to deal with the country’s limited M&E capacity and the lack of a reliable baselines data for key indicators.

Quality-at-Entry Rating
Satisfactory

b. Quality of supervision

The Bank team followed up the implementation of the program and worked closely with the Government to ensure the continuity of reforms. Supervision was conducted within the context of the Common Assessment Framework (CAF), which progressively became the main mechanism for harmonizing budget support to Liberia. The CAF helped to reduce transaction costs incurred in Government dealings with external partners, and helped to ensure that the latter’s’ programs were consistent with Government priorities. CAF also served as the appropriate forum for discussing and solving implementation issues.
However, the completion of the ICR, initially due for June 30, 2914, was delayed until September 8, 2016, more than 26 months later, a delay which could only partly be explained by the Ebola epidemic.

Quality of Supervision Rating
Moderately Satisfactory

Overall Bank Performance Rating
Moderately Satisfactory

8. Assessment of Borrower Performance

a. Government Performance

The Government commitment and ownership of reforms was strong during preparation and implementation of RRSP-III. Implementation was led by the Ministry of Finance, and despite challenges posed by weak coordination between the different departments of the Ministry and limited capacity, it was able to implement the prior actions.

Nonetheless, the unexpected cancellation of the planned successor operation of the programmatic series - the RRSP-IV- had a negative impact on RRSP-III. Liberia’s Parliament did not ratify the financing agreement of RRSP-IV although all the triggers and prior actions were met, because the lawmakers objected that the financing of the new operation was an IDA credit rather than another grant. According to the ICR, the Government only indicated the possibility of cancellation late in the implementation period.

Government Performance Rating
Moderately Satisfactory

b. Implementing Agency Performance

The Government implemented the program and there is no separate assessment of implementing agency performance.

Implementing Agency Performance Rating

Moderately Satisfactory

Overall Borrower Performance Rating

Moderately Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

The M&E arrangements were prepared with the Government. The results framework included five results indicators: (i) the average difference between out-turn and legislated budget for each Ministry as measured by PEFA indicator PI-2; (ii) the timely production of IPSAS compliant financial statements to facilitate complete audit of the final accounts of the budget in keeping with the PFM Act; (iii) the consolidation of land deeds in the National Archive, (iv) the number of deeds digitized and filed in the National Archives; and (v) the percentage decrease in the number of land dispute cases in the docket. These indicators were consistent with the PDOs and directly attributable to the prior actions, and target values were in line with the expected program results. The M&E arrangements were aligned to the process designed for the overall monitoring and evaluation system for the Government's PRS, although this provided challenges due to the lack of a reliable baselines data for key performance indicators for the PRS.

b. M&E Implementation

Liberia's capacity for M&E was and remains weak, despite some progress. There is a lack of statistical data and analysis and an absence of reliable base-line data. This is aggravated by a weak coordination across ministries and agencies, which makes data gathering difficult.

Despite this challenging environment, external partners have invested considerable, and partially successful, efforts to improve fiscal data collection and publication within the Ministry of Finance and Development Planning, through projects promoting public financial management reporting, such as the Governance and Economic Management Assisted Program (GEMAP), which ended at HIPC completion point in June 2010 and the Integrated Financial Management Information System (IFMIS), facilitating in-year and annual fiscal data reporting, although at a slow pace. Despite capacity limitations, the Government managed to monitor progress on the results indicators.

c. M&E Utilization

No specific information was provided in the ICR or by the task team about M&E Utilization.

M&E Quality Rating
Modest

10. Other Issues

a. Environmental and Social Effects
No safeguard policies were triggered by the operation, and the policy actions supported had no environmental impact.

The ICR (p. 18) states that the operation had a significant direct impact on poverty. The grant allowed the Government to commit additional fiscal resources to its poverty reduction priorities. Ministries that have benefited from greater access to resources include those of Education, Health, Agriculture and Public Works. Total spending by these ministries increased by more than 40 percent between 2009 and 2012. However, the ICR does not show how these results could be attributed to this program, or how a grant of US$11 million could create sufficient fiscal space to increase social spending from US$ 81.7 to US$127.5 million, as actually occurred in FY2011.

b. Fiduciary Compliance
No fiduciary issues were identified in the ICR.

c. Unintended impacts (Positive or Negative)
None

d. Other
None

11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Satisfactory	Moderately Satisfactory	Efficacy of one of the two program objectives is rated

			modest.
Risk to Development Outcome	Modest	Substantial	Liberia is a fragile, post-conflict country subject to many domestic and external shocks which could adversely affect the sustainability of reforms.
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.

12. Lessons

The first three lessons are taken from the ICR with some adaptations; the fourth is drawn by IEG:

• In fragile countries, it is essential to select the prior actions carefully, which should be critical to the government's overall reform program, and take into consideration implementation capacity. Such an approach is necessary not only to reduce the transaction costs for the Authorities, but also to increase the probability of full action implementation and long term sustainability. In this case, only three previous actions were selected, all of which were critical to the Government's overall program, and fully owned.
• The harmonization of external support contributes to the reduction of transaction cost for the Government. The Common Assessment Framework (CAF) plays an important role in harmonizing such support. The effect of the CAF in reducing the transaction cost on the government could be even greater with more commitment to the instrument, since the dialogue is centered on a single agreed matrix. There was still a great deal of bilateral dialogue, at the initiative both Government and of the external partners.
• It is important to engage with political actors outside the Executive branch, particularly the legislature and civil society. In the case of Liberia, the political economy of the country was such that even though the President's party was in the majority in the Legislature, the President was not necessarily the leader of the party in the legislature. Thus, in spite of the Executive's endorsement of a Bank operation, the legislature had the capacity to override it. An earlier engagement with political party leaders and other key players could have led to a more successful result.
• In fragile and post-conflict countries, the establishment of a steering committee representing government and external partners is a critical tool to coordinate the national construction agenda. This was the case of Liberia, where a Liberia Reconstruction and Development Committee (LRDC), was established, chaired by the President of Liberia herself, and composed of the Ministers of Defense, Finance, Planning and Economic Affairs, and Public Works, as well as major partners including the United Nations, the United States, China, the

World Bank Group, the European Commission, the International Monetary Fund, the African Union and the Economic Community of West African States.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR provides a candid assessment of the operation. There is a clear presentation of the importance of the objectives within the framework of the country's economic, institutional, and social context, the diversity of risks to the Development Outcome, and of the lessons learned.
However, the ICR would have benefited from better editing. The information could have been better organized and structured. The text includes some repetitions about the same issues in different sections and, in some cases, the information about specific issues appears disseminated in different sections (for example, the information about the achievements of the objectives).
There are inconsistencies, particularly in the indicators and ratings. For example: (i) quality at entry is rated as "moderately satisfactory" on page vii, and as "satisfactory' on page 21; (ii) Outcome is rated as "satisfactory on pages vi and 17, but on page 23 it is said that "With the GoL performance Satisfactory, the implementing agency's rating Moderately Satisfactory and the outcome rating is moderately satisfactory the overall rating for borrower performance is moderately satisfactory"; (iii) government's Performance is rated as "Moderately Satisfactory" on pages vii and 22, while on page 23 (paragraph 75) is rated as "Satisfactory"; and (iv) the actual value (achieved at completion) of indicator 3 ("consolidation of land deeds in the National Archive") is 85 percent on pages viii, 7, and 8, but on page 16 (paragraph 50) it is said that "some progress has been made on the consolidation of the deeds in the Archive with approximately 75 percent of the total deeds in the Archive up from an estimated 65 percent in 2009".
The ICR is in the low side of substantial.

a. Quality of ICR Rating
Substantial